

Comprehensive
Annual Financial Report
For the fiscal year ended June 30, 2002

City of Tempe, Arizona



City Council:

Neil G. Giuliano, Mayor
Leonard Copple, Vice Mayor
P. Ben Arredondo
Dennis J. Cahill
Barb Carter
Hugh Hallman
Mark Mitchell

Administrative Staff:

Will Manley, City Manager
Patrick M. Flynn, CPA, Assistant City Manager

Presented by:

Rich Oesterle, Financial Services Manager
Jerry Hart, CPA, Deputy Financial Services Manager
Karen Huffman, CPA, Accounting Supervisor



TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	7
Certificate of Achievement for Excellence in Financial Reporting	11
List of Principal Officials	12
City of Tempe Organizational Chart	13
FINANCIAL SECTION	
Independent Auditors' Report	15
Management's Discussion and Analysis (required supplementary information)	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	31
Statement of Activities	32
Fund Financial Statements:	
Balance Sheet - Governmental Funds	34
Reconciliation of the Balance Sheet to the Statement of Net Assets	36
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	38
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	40
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	41
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Transit Special Revenue Fund	42
Statement of Net Assets - Proprietary Funds	44
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund Types	46
Statement of Cash Flows - Proprietary Funds	47
Notes to Financial Statements	49
Combining Fund Financial Statements:	
Non-Major Governmental Funds:	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	92
Internal Service Funds:	
Combining Statement of Net Assets	98
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets	99
Combining Statement of Cash Flows	100
Other Supplementary Information:	
Budgetary Comparison Schedules:	
General, Special Revenue, and Debt Service Fund Types	105
General Obligation Debt Service Fund	106
Performing Arts Fund	107
Highway User Revenue Fund	108
Local Transportation Assistance Fund	109



	<u>Schedule</u>	<u>Page</u>
FINANCIAL SECTION (CONTINUED)		
Budgetary Comparison Schedules: (Continued)		
Community Development Fund		110
Housing Assistance Fund		111
Rio Salado Fund		112
Community Facilities District Fund		113
Financial Data Schedules:		
Housing Assistance Fund		
Balance Sheet		116
Revenues and Expenses		117
Capital Assets Used in the Operation of Governmental Funds:		
Schedule of Changes by Function and Activity		120
Schedule by Function and Activity		121
STATISTICAL SECTION		
Government-wide Expenses by Function	S-1	123
Government-wide Revenues by Source	S-2	124
General Governmental (General, Special Revenue and Debt Service Funds) Revenues by Source - GAAP Basis - Last Ten Fiscal Years	S-3	125
General Governmental (General, Special Revenue, Debt Service and Capital Projects Funds) Tax Revenues by Source - GAAP Basis - Last Ten Fiscal Years	S-4	126
General Governmental (General and Special Revenue Funds) Intergovernmental Revenues by Source - GAAP Basis - Last Ten Fiscal Years	S-5	127
General Governmental (General, Special Revenue and Debt Service Funds) Expenditures by Function - GAAP Basis - Last Ten Fiscal Years	S-6	128
General Property Tax Information	S-7	129
Property Tax Levies - All Direct and Overlapping Governments - Last Ten Fiscal Years	S-8	130
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years	S-9	132
Secured Property Tax Levies and Collections - Last Ten Fiscal Years	S-10	134
Net Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	S-11	135
Estimated Assessed Valuations of Major Taxpayers	S-12	136
Special Assessment Collections - Last Ten Fiscal Years	S-13	137
Percent of Net Direct Debt to Assessed Valuations and Net Direct Debt Per Capita - Last Ten Fiscal Years	S-14	138
Net Direct and Overlapping General Obligation Bonded Debt	S-15	139
Computation of Legal Debt Margin	S-16	140
Remaining General Obligation Bond Authorizations	S-17	141
Excise Tax Collections - FY 1997-98 to FY 2001-02	S-18	142
Pledged Revenue, Projected Debt Service and Estimated Coverage	S-19	143
Percent of Annual Debt Service Expenditures to Total General Expenditures (General, Special Revenue and Debt Service Funds) - Last Ten Fiscal Years	S-20	144
Principal Employers	S-21	145



	<u>Schedule</u>	<u>Page</u>
STATISTICAL SECTION (CONTINUED)		
Demographic Statistics - Last Ten Fiscal Years	S-22	146
Average Annual Non-Agricultural Wage and Salary Employment	S-23	147
Total Taxable Sales and Net Taxable Retail Sales - Last Ten Fiscal Years	S-24	148
New Construction Activity - Last Ten Years	S-25	149
Maricopa County Bank Deposits - Last Ten Fiscal Years	S-26	150
Schedule of Insurance	S-27	151
Miscellaneous Statistical Data	S-28	152



CITY OF TEMPE
P.O. Box 5002
20 EAST SIXTH STREET
TEMPE, AZ 85280
480.350.8350



FINANCIAL SERVICES

November 15, 2002

Honorable Mayor, City Council and City Manager:

The Comprehensive Annual Financial Report for the City of Tempe, Arizona for the fiscal year ended June 30, 2002, is submitted for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with the City. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report is presented in three sections: 1) the **Introductory Section** which includes this transmittal letter, and the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting; 2) the **Financial Section** which includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, required supplementary information (other than MD&A) and the combining financial statements; and 3) the **Statistical Section** which includes selected financial and demographic information, generally presented on a multi-year basis.

This Comprehensive Annual Financial Report (CAFR) represents management's report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies that have expressed an interest in Tempe's financial matters. Copies of this financial report will also be placed in the City library for use by the general public.

This report includes all funds (financial activities) of the City. The City provides a full range of municipal services including police and fire protection, water, sewer and refuse services, development services, municipal courts, recreational and cultural activities, streets, transit, traffic control, and general administrative services. In addition to general governmental activities, standards set by the Governmental Accounting Standards Board ("GASB") regarding the inclusion of certain entities based upon the significance of their operational or financial relationships with the City require that the activities of the Tempe Municipal Property Corporation, Tempe Sports Authority Corporation and the Rio Salado Community Facilities District be included in the reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The national and local economy was in the midst of a recession during fiscal year 2001/2002. Economists indicate that the recessionary cycle actually began as early as March 2001 and was punctuated by the September 11th terrorist attacks which helped to deepen the economic downturn. The impact of the slowing economy in Tempe was reflected in decreased collections of sales tax, bed tax, and development fees that were all below prior year levels. Actual

sales tax collections (including transit and performing arts taxes) for the year was 86% of what was budgeted. Bed taxes and development fees came in at 83% and 50% of budget, respectively. For the fiscal year, Sales tax, which is the largest revenue source of the General Fund through which most City services are financed, experienced negative month to month growth in comparison to the prior year. At year-end, sales tax revenues amounted to \$89.5 million compared to the prior year amount of \$97.0 million.

The economic downturn also resulted in decreased state-shared revenues, the second largest revenue source of the General Fund. These revenues are comprised of state-shared sales tax, state income tax, vehicle license tax (auto lieu), and highway user revenues. Current year revenues totaled \$43.8 million as compared to the prior year amount of \$48.7 million. The level of current year revenue largely reflects declining consumer confidence that led to decreased consumer spending. Decreased tourism impacted revenues for the City, but not to the magnitude that it impacted surrounding communities or the State.

Many economists believe that an economic recovery has already begun in parts of the country and that the southwestern United States will lag behind in its recovery. According to the Indiana University Office of Communication and Marketing, the recovery for governmental entities usually lags a year behind industry. The City had positioned itself well to weather this economic downturn through the establishment and maintenance of prudent fund balance reserves over the years. Through the exercise of sound decision making and prudent fiscal policies, the City will continue to ensure its' strong financial health into the future.

MAJOR INITIATIVES

It became evident early during the fiscal year that revenues were going to fall short of budget projections. Specifically, financial trend information indicated a decrease in sales tax revenue that began in the last quarter of fiscal year 2000/2001. In recognition of this declining revenue situation, City management instituted a series of cost saving measures designed to balance the budget while maintaining current levels of city services. These measures included the following:

- **Hiring freeze** – Unfilled positions throughout the City were “frozen” (especially those within the General Fund). Public safety (police and fire) were the only positions exempted from this hiring freeze. Positions that were subsequently vacated during the year were also frozen. Positions that were filled required the approval of the City Manager.
- **Departmental budget cuts** – Each department was asked to cut their operating budget by 3%. Once again, the challenge was to do this with minimal disruption to the delivery of services to citizens. Approximately \$5.5 million in cuts were made in the General Fund.
- **Capital improvement project cuts** – Management began a review of current and planned capital improvement projects with reprioritization as the goal. Particular attention was paid to projects requiring substantial amounts of pay-as-you-go financing or that had operating budget impacts. This review resulted in either the elimination or reduction in scope of several projects that allowed the City to save money. Other projects (i.e., Police substation, North Tempe Multigenerational Center) were delayed into the future.

These prudent actions were necessary to ensure a balanced budget for the fiscal year. However, management was unsure as to whether these steps would be sufficient or if additional steps in the future would be necessary to help address the revenue shortfall. Early indications were that the economic challenges would continue to face the City into the next fiscal year. Management continues to assess the current environment to determine whether in fact full, unobstructed recovery will be achieved over the next several years, or if the City is facing a permanent change in its' economic structure. Of particular concern is the level of retail development in the City of Chandler along the City's southern border along Ray Road. The opening of the Chandler Fashion Square Mall has begun to have a direct impact on sales tax collections in the City. Additionally, the state is facing its' own budgetary crisis and may seek a reduction in the revenues it shares with cities and towns in an effort to balance its' budget. The projected state budget deficit is \$400 million and \$1 billion for fiscal years 2002/2003 and 2003/2004, respectively. Any reduction in state-shared revenues would have a significant impact to the City. Management will continue to closely monitor this situation as it develops. In the past, the League of Arizona Cities and Towns, of which the City is a member, has

been successful lobbying the Legislature to maintain current state-shared revenues. In addition, in the Governor's proposed budget, there is not a proposed reduction in state-shared revenues.

FINANCIAL INFORMATION

Internal Control

The management of the City of Tempe is responsible for establishing and maintaining a system of internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The City also maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Council. Activities of the General Fund, Special Revenue Funds (except for the Grant and Court Awards), General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations are carried forward at the end of each fiscal year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its' responsibility for sound financial management.

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for an adequate system of internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, performed in accordance with the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2002, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Cash Management

The City utilizes a pooled cash and investment concept for all funds. Each fund type's portion of the pool is displayed in the basic financial statements as "Pooled cash and investments."

The City's investment policy is to invest pooled cash in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City and conforming to all applicable State and City statutes governing the investment of public funds. The City is permitted to invest in obligations of the U.S. Government or any of its agencies and instrumentalities, certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements and the State of Arizona's Local Government Investment Pool. The City's effective annual yield on pooled cash and investments for the 2001/02 fiscal year was 5.25%.

Risk Management

The City of Tempe maintains a protected self-insurance program for its liability (general, automobile, and professional), property, workers' compensation, and group insurance coverages. Liability, property and workers' compensation claims are administered by the Risk Management Division of the Financial Services Department, and group insurance claims are administered by the Human Resources Department.

The City maintains a sound loss fund to pay for claims within its various self-insured retentions (SIR) for each of the above lines of coverage. At June 30, 2002, the loss fund had a fund balance of \$9.6 million. Excess insurance is purchased for claims above the SIRs, thus, making this a protected self-insurance program.

OTHER INFORMATION

Independent Audit

City Charter requires an annual audit by independent certified public accountants. Through a Request for Proposal process, the accounting firm of KPMG LLP has been selected by the City Council. The auditors' report on the financial statements is included in the financial section of this report.

In addition to this report, KPMG LLP was also contracted to perform the Single Audit of the City's federal grant programs. This audit was designed to meet the requirements of the Federal Single Audit Act of 1996 and the related Office of Management and Budget Circular A-133. Due to the size and complexity of the City's financial reporting system, the single audit report is issued separately from this financial report. Copies are available upon request.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

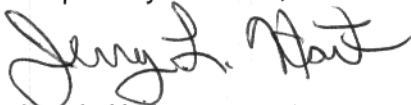
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-six consecutive years (fiscal years 1976-2001). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The City also received the GFOA's award for Distinguished Budget Presentation for our 2001/03 biennial budget. The City's budget document was judged to be an outstanding communications document.

Acknowledgment

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division, the assistance of administrative personnel in the various departments, and the competent service of our independent auditors. To them and to the City Council and City Manager for their support and interest in improving Tempe's fiscal policies and practices, I express my sincere appreciation.

Respectfully submitted,



Jerry L. Hart

Deputy Financial Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tempe,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Timothy A. Dwyer
President

Jeffrey L. Esser
Executive Director



For the Fiscal Year
Ended June 30, 2002

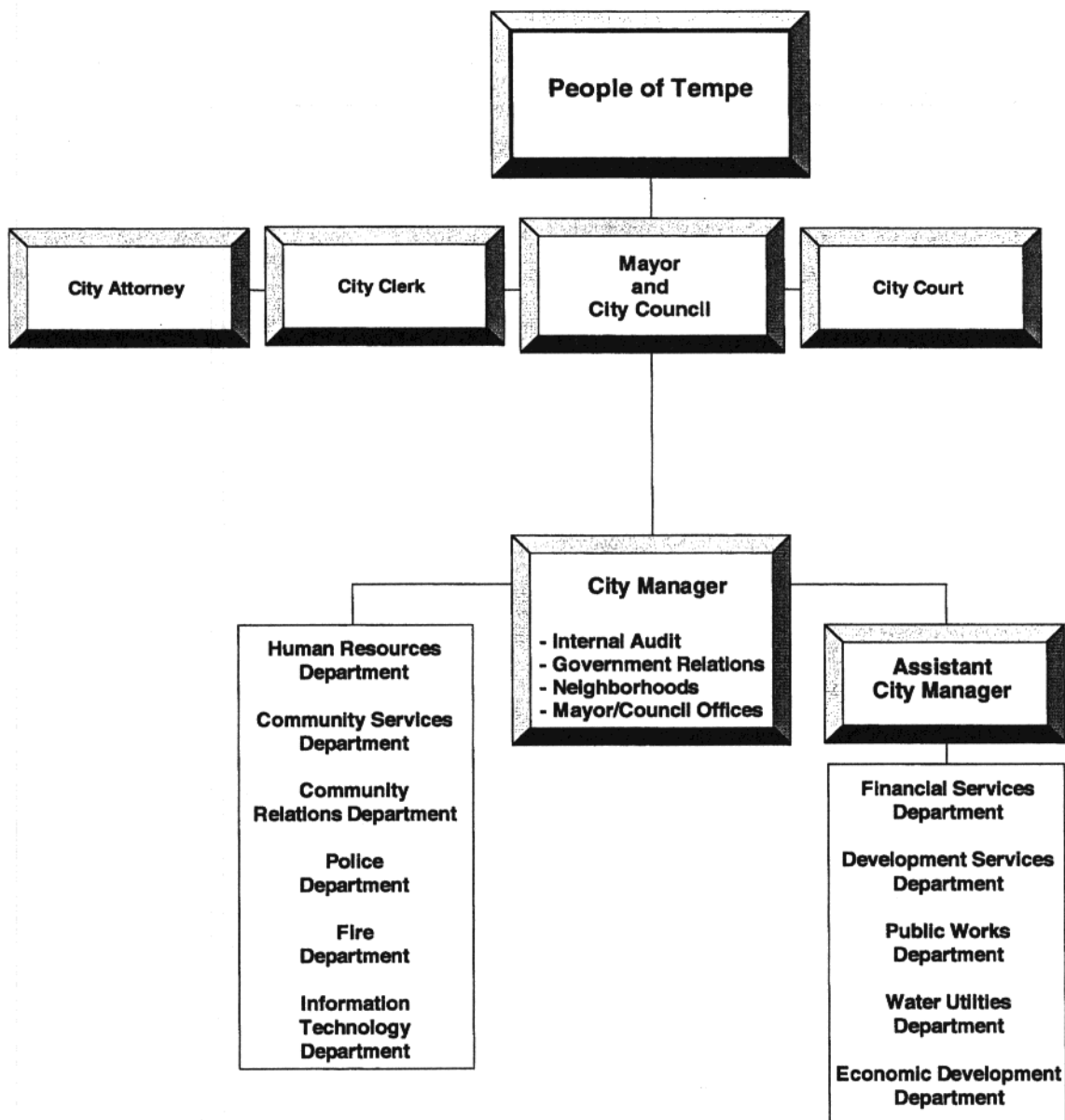
City of Tempe, Arizona List of Principal Officials

City Council

Neil G. Giuliano, Mayor
Leonard Copple, Vice Mayor
P. Ben Arredondo
Dennis J. Cahill
Barb Carter
Hugh Hallman
Mark Mitchell

Administrative Staff

Will Manley, City Manager
Patrick M. Flynn, Assistant City Manager
Brad Woodford, City Attorney
Kathy Matz, City Clerk
Louraine Arkfeld, City Court
Bill Hernandez, Human Resources
Tom Canasi, Community Services
Randy Gross, Community Relations
Ralph Tranter, Police
Cliff Jones, Fire
Gene Obis, Information Technology
Rich Oesterle, Financial Services
Dave Fackler, Development Services
Glen Kephart, Public Works
Tom Gallier, Water Utilities
Jan Schaefer, Economic Development







One Arizona Center
400 East Van Buren Street
Suite 1100
Phoenix, AZ 85004

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Tempe, Arizona:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona (the City), as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the transit special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statements Note Disclosures*", and GASB Interpretation No. 6 "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*" effective July 1, 2001.



KPMG LLP KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.



The Honorable Mayor and Members of the City Council
City of Tempe, Arizona

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 17 through 30 and the schedule of funding progress in Note 14 E on page 79 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements, budgetary comparison schedules included in other supplementary information, financial data schedules, capital assets used in the operation of governmental funds, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. However, the financial data schedules are required by the U.S. Department of Housing and Urban Development. The combining fund financial statements and financial data schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules included in other supplementary information, capital assets used in the operation of governmental funds schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 15, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tempe's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$913.8 million (net assets). Of this amount, \$174.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets increased by \$22.7 million during the fiscal year.
- ◆ At June 30, 2002, the City's governmental funds reported combined ending fund balances of \$209.4 million. Approximately 83% of this total amount (\$174.3 million) is unreserved fund balance available for spending at the government's discretion.
- ◆ At June 30, 2002, total unreserved fund balance for the general fund was \$75.2 million. The undesignated portion of unreserved fund balance is \$35.1 million, which is 30% of total general fund expenditures of \$117.8 million.
- ◆ At June 30, 2002, the City's proprietary funds reported combined total net assets of \$255.8 million, and total unrestricted net assets of \$72.5 million. \$71.7 million of the unrestricted net assets are in the Water and Wastewater Fund.
- ◆ The City issued \$22 million in new general obligation debt during the current fiscal year for the expansion and optimization of water and wastewater treatment facilities, street improvements, park improvements and construction of a new downtown fire station. The City also issued \$11 million in refunding general obligation bonds to partially refund other outstanding general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, community services, public works, community relations, mayor and council, city manager, city clerk and elections, city attorney, municipal courts, development services, economic development, financial services, human resources, and information technology. The business-type activities of the City include water and wastewater, refuse, and golf.

Included within the government-wide financial statements are the operations of the Tempe Municipal Property Corporation, Tempe Sports Authority, and the Rio Salado Community Facilities District. Although legally separate from the City, these component units are blended with the primary government (the City) because of their governance or financial relationships with the City.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following two categories: **governmental funds and proprietary funds.**

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, transit special revenue fund, general obligation debt service fund, special assessment debt service fund, performing arts capital projects fund, and the transit capital projects fund, which are all considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general, special revenue (except grants and court awards), general obligation debt service, and proprietary funds. Budgetary comparison statements have been provided in the basic financial statements for the general and transit special revenue funds to demonstrate compliance with the budget. These statements for the nonmajor special revenue and general obligation debt service funds are included in Other Supplementary Information.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers-either outside customers, or departments of the City. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Wastewater, Refuse collection/disposal, and Golf course operations. All enterprise funds are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its health insurance program and its risk management services including workers compensation, general liability and property. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

This is the first year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Because this reporting model changes significantly both the recording and presentation of financial data, the City has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years when prior-year information is available, a comparative analysis of government-wide data will be included in this report.

Net Assets June 30, 2002

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 273,264,273	\$ 158,480,483	\$ 431,744,756
Capital assets, net	593,991,439	192,092,018	786,083,457
Total assets	867,255,712	350,572,501	1,217,828,213
Liabilities			
Long-term liabilities	172,576,434	79,354,393	251,930,827
Other liabilities	36,690,284	15,414,548	52,104,832
Total liabilities	209,266,718	94,768,941	304,035,659

Net Assets

Invested in capital assets, net of related debt	433,414,734	173,224,647	606,639,381
Restricted	122,572,053	10,065,796	132,637,849
Unrestricted	102,002,207	72,513,117	174,515,324
Total net assets	\$ 657,988,994	\$ 255,803,560	\$ 913,792,554

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$913.8 million at June 30, 2002.

The largest portion of the City's net assets (66.4%) reflects its investment of \$606.6 million in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net assets, \$132.6 million (14.5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$174.5 million (19.1%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities.

Analysis of Change in Net Assets

The City's net assets increased by \$22.7 million during the current fiscal year. These increases are explained in the government and business-type activities discussion below.

Changes in Net Assets June 30, 2002

	Governmental Activities	Business-type Activities	Total
Revenues			
Program Revenues:			
Charges for services	\$ 18,545,694	\$ 52,994,240	\$ 71,539,934
Operating grants and contributions	11,782,757	-	11,782,757
Capital grants and contributions	9,376,155	2,033,578	11,409,733
General Revenues:			
Sales taxes	111,538,072	-	111,538,072
State income taxes	16,544,791	-	16,544,791
Property taxes	20,375,185	-	20,375,185
Franchise taxes	1,810,590	-	1,810,590
Auto-lieu taxes	5,233,512	-	5,233,512
Unrestricted investment earnings	11,223,592	3,745,272	14,968,864
Other	1,444,812	734,062	2,178,874
Total revenues	207,875,160	59,507,152	267,382,312

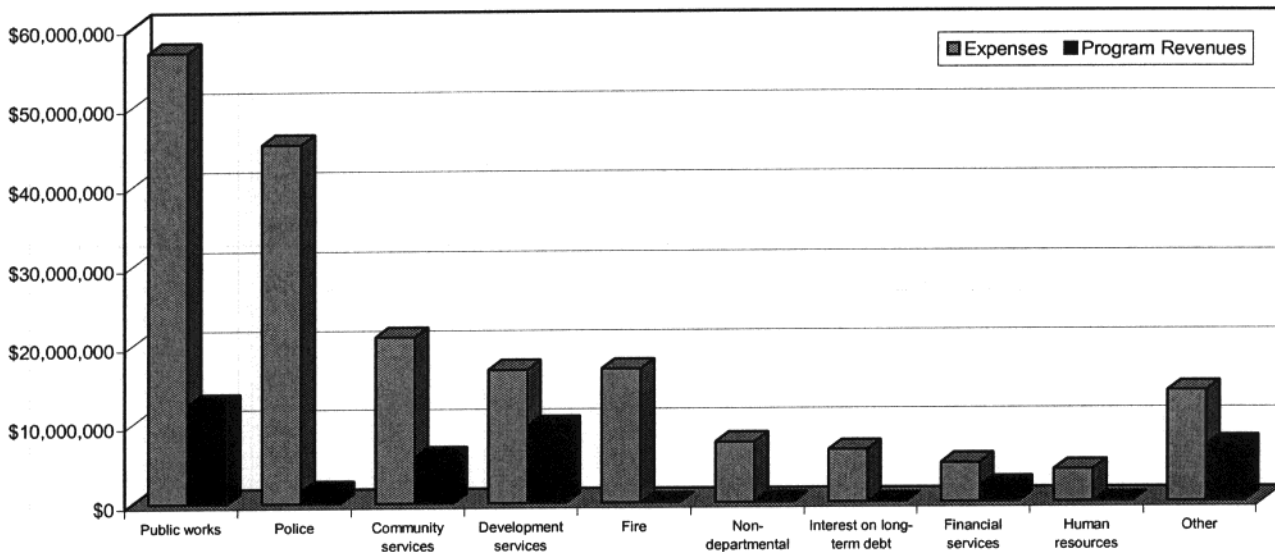
Expenses

Police	45,265,995	-	45,265,995
Fire	15,988,363	-	15,988,363
Community services	20,874,630	-	20,874,630
Public works	57,047,822	-	57,047,822
Community relations	2,212,271	-	2,212,271
Mayor and council	516,899	-	516,899
City manager	1,414,543	-	1,414,543
City clerk and elections	784,099	-	784,099
City attorney	2,420,285	-	2,420,285
Municipal courts	3,325,642	-	3,325,642
Development services	16,808,229	-	16,808,229
Economic development	2,485,774	-	2,485,774
Financial services	4,906,157	-	4,906,157
Human resources	4,058,772	-	4,058,772
Information technology	804,751	-	804,751
Non-departmental	7,594,725	-	7,594,725
Interest on long-term debt	6,588,170	-	6,588,170
Water/Wastewater	-	37,017,484	37,017,484
Refuse	-	10,294,641	10,294,641
Golf	-	2,441,907	2,441,907
Total expenses	<u>193,097,127</u>	<u>49,754,032</u>	<u>242,851,159</u>
Increase in net assets before transfers and other	14,778,033	9,753,120	24,531,153
Transfers	(68,770)	68,770	-
Loss from joint venture	-	(1,874,815)	(1,874,815)
Change in net assets	<u>14,709,263</u>	<u>7,947,075</u>	<u>22,656,338</u>
Net assets at beginning of year	<u>643,279,731</u>	<u>247,856,485</u>	<u>891,136,216</u>
Net assets at end of year	<u>\$ 657,988,994</u>	<u>\$ 255,803,560</u>	<u>\$ 913,792,554</u>

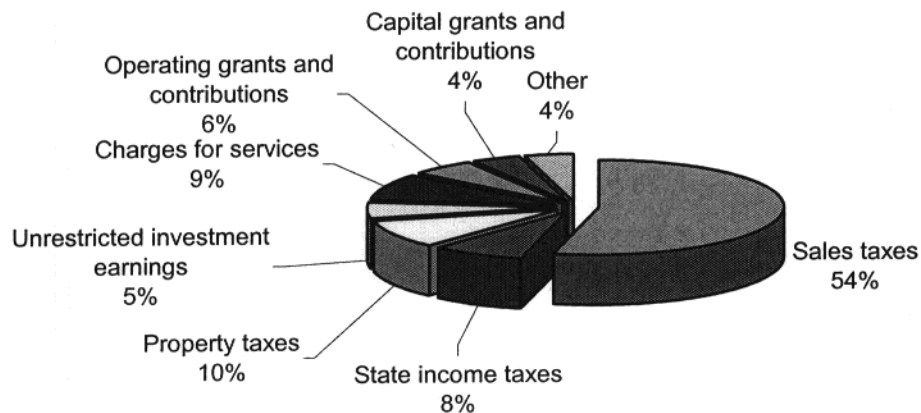
Governmental activities. Governmental activities increased the City's net assets by \$14.7 million, accounting for 65% of the total growth in the net assets of the City, despite the economic slowdown experienced during the year. The key factors for this increase are as follows:

- The recession and the subsequent events of the September 11th terrorist decreased sales tax collections. Sales tax revenue fell short of original budget projections. Anticipating this shortfall, City management implemented a variety of cost savings measures early during the fiscal year. A hiring freeze was put into effect, City departments were asked to cut their budgets by 3%, and several planned capital improvement projects were either delayed or canceled altogether. These efforts are estimated to have saved the City \$7 million dollars.
- The current fiscal year marked the first full year of collections of the Performing Arts tax that was effective January 1, 2001. Performing Arts tax revenue totaled \$5 million for the year.
- Property tax revenues increased by \$1.2 million, largely as a result of increased assessed valuation of property.

Expenses and Program Revenues - Governmental Activities



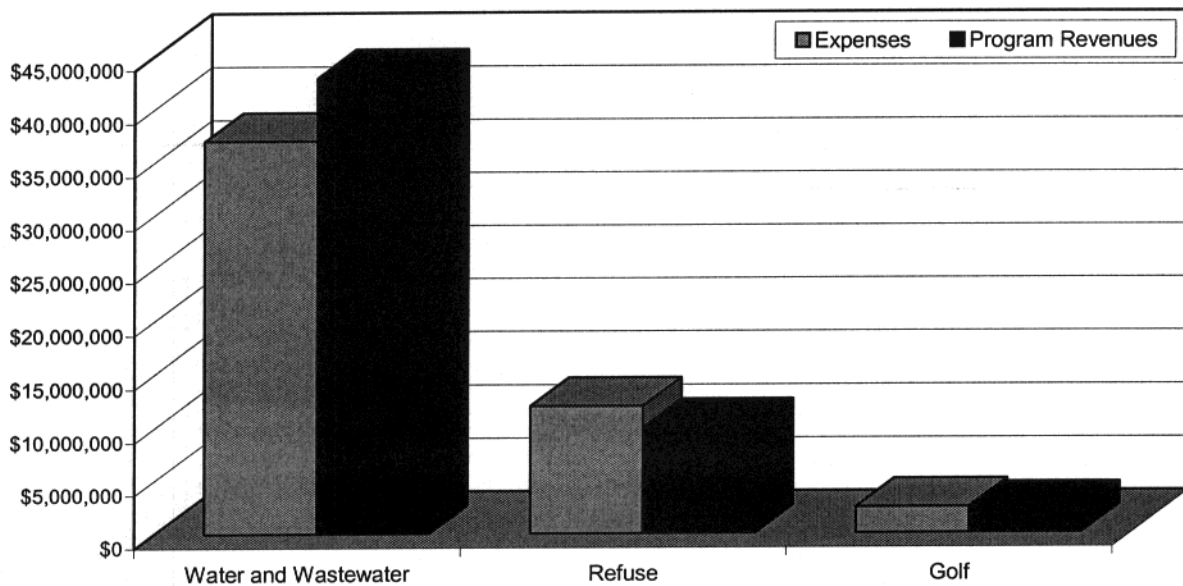
Revenues by Source - Governmental Activities



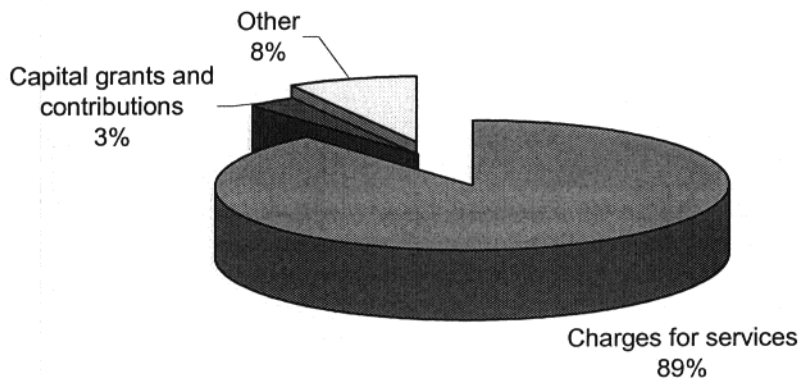
The charts above illustrate the City's governmental expenses and revenues by function and its revenues by source. As shown, Public Works is the largest function in expense (29%), followed by Police (23%), Community Services (10%), and Development Services (9%). General revenues such as sales taxes, state income taxes, property taxes, and other excise taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, sales taxes are the largest single source of funds (54%), followed by property taxes (10%), charges for services (9%), and state income taxes (8%). As with the statement of net assets and the statement of activities, because the GASB 34 reporting model significantly changes the form of financial data, the City has not restated prior fiscal year revenue and expenditure information. Year to year comparisons will be included in future reports.

Business-type activities. Business-type activities increased the City's net assets by \$7.9 million, accounting for 35% of the total growth in the net assets of the City. The key factors in this increase were an increase in rates during the year coupled with the realization of significant cost savings in wastewater treatment operations.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



As shown in the charts above, the largest of the City's business-type activities, Water and Wastewater, had expenses of \$37 million for the fiscal year, followed by Refuse with \$10.3 million, and Golf with \$2.4 million. For the fiscal year, revenues exceeded expenses in only the Water and Wastewater operation; expenses exceeded revenues in the Refuse and Golf operations. The operating loss in the Refuse fund was primarily due to the costs related to additional personnel and equipment added over the last three fiscal years. The loss in the Golf fund was due to reduced rounds of play related to the decline in tourism and increased competition from golf courses in neighboring cities. The City will be reviewing potential increases to Refuse and Golf rates during the next fiscal year. Fees provided the largest share of revenues (89%) for all of the business-type activities.

FUND STATEMENTS FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$209.4 million, an increase of \$3.1 million from the prior year. Approximately \$174.3 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$21.6 million), (2) to pay debt service (\$12.3 million), and (3) for other restricted purposes (\$1.2 million).

Revenues for governmental functions overall totaled approximately \$207.6 million in the fiscal year ended June 30, 2002, which represents a decrease of 3.2% from the fiscal year ended June 30, 2001. Expenditures for governmental functions, totaling \$213.1 million, increased by approximately 1.5% from the fiscal year ended June 30, 2001. In the fiscal year ended June 30, 2002, expenditures for governmental functions exceeded revenues by \$5.5 million or 2.7% of revenues.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$75.2 million (the undesignated portion equaled \$35.1 million), while total fund balance was \$77.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both total unreserved, undesignated fund balance and total fund balance to total fund expenditures. Total unreserved, undesignated fund balance represents 29.8% total general fund expenditures of \$117.8 million, while total fund balance represents 65.7% of that same amount.

The fund balance in the City's general fund decreased by \$9.2 million during the fiscal year mainly due to budgeted transfers for capital improvement projects. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2002 of \$5.9 million. This is a decrease of 68.3% over the comparable figure from the prior year of \$18.5 million.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the unrestricted net assets for the Water and Wastewater Fund were \$71.7 million, the Refuse Fund \$20,065, and the Golf Fund \$791,701. The internal service funds, which are used to account for risk management and health insurance activities, had unrestricted net assets of \$1.5 million.

The total growth in net assets for the proprietary funds was \$7.9 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

Budget Highlights – General and Transit Special Revenue Funds

The City's final budget differs from the original budget for the General and Transit Special Revenue funds primarily in that it contains carry-forward appropriations for encumbrances rolled forward from the prior fiscal year, and budget reductions made during the current year due to the economic slowdown. Carry-forward appropriations for rolled forward encumbrances were \$1.3 million and \$60,000 for the General and Transit Special Revenue funds, respectively. Budget reductions were \$5.5 million for the General Fund and \$1.3 million for the Transit Special Revenue Fund. Budget reductions by department were as follows:

<u>General</u>	<u>Amount</u>
Police	\$1,000,000
Fire	136,854
Community services	499,620
Public works	719,080
Community relations	47,310
City Manager	136,565
City clerk and elections	6,228
Municipal courts	78,572
Development services	981,504
Economic development	14,950
Financial services	165,317
Human resources	165,742
Information technology	388,180
Non-departmental	<u>1,200,000</u>
Total	<u>\$5,539,922</u>

<u>Transit Special Revenue</u>	<u>Amount</u>
Public Works	<u>\$1,342,528</u>

During the year, actual revenues fell short of budgetary estimates by \$10.2 million in the General and \$1.4 million in the Transit Special Revenue Fund. This is due primarily to the decline in sales tax revenues caused by the recession.

Actual expenditures were below budgetary estimates by \$6.5 million in the General Fund. This was primarily due to the City's cost cutting efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2002 amount to \$786.1 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total increase in the City's capital assets for the current fiscal year was 1%. The table below reflects the capital assets at the end of the fiscal year:

Capital Assets, Net of Depreciation June 30, 2002

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 28,868,113	\$ 9,935,732	\$ 38,803,845
Buildings	84,685,209	36,927,083	121,612,292
Infrastructure	394,832,146	87,302,281	482,134,427
Improvements	32,056,661	42,345,674	74,402,335
Machinery and equipment	35,111,748	11,397,635	46,509,383
Construction in progress	18,437,562	4,183,614	22,621,176
Total	<u>\$ 593,991,439</u>	<u>\$ 192,092,019</u>	<u>\$ 786,083,458</u>

Major capital asset events during the current fiscal year included the following:

- Construction began on phase one of the Tempe Center for the Arts. The center will include a 600-seat main theater, a 200-seat studio theater, a 3,100 square foot multi-purpose room, a 3,500 square foot visual arts gallery and related administrative, technical and support spaces. The total project is expected to cost \$63 million. Phase one consists of \$3.2 million in undergrounding of utilities, \$9 million in landfill remediation and \$2.8 million in design costs.
- Capital replacement and expansion of the South Tempe Water Treatment Plant began during the year with \$8.2 million spent towards this effort.
- Construction of The Brickyard on Mill, a mixed use (retail, office, residential) development was completed during the year. The City acquired office space and a portion of the parking garage for its own use at a total cost of \$11.7 million.
- The City, along with other participating valley cities, is in the early stages of construction of a light rail mass transit system to serve the transportation needs of the region. Significant planning and design costs were incurred during the year. Additionally, the City continued its acquisition of transit buses during the year with \$3.7 million in expenditures.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to Note 9 of the Notes to the Financial Statements for further information regarding capital assets.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$251.9 million. Of this amount, \$154.1 million is general obligation bonds backed by the full faith and credit of the City, \$51.8 million is revenue bonds, and \$20.3 million is improvement district bonds. The remainder includes interfund loans and other governmental activities.

Outstanding Long-term Obligations June 30, 2002

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 75,535,000	\$ 78,595,000	\$ 154,130,000
Special Assessment bonds	20,250,000	-	20,250,000
TMPC bonds	-	630,000	630,000
Certificates of Participation	3,810,000	-	3,810,000
Variable Rate Demand Excise Tax bonds	40,500,000	-	40,500,000
Capital improvement notes	10,860,206	129,393	10,989,599
Total debt payable	150,955,206	79,354,393	230,309,599
Capital leases	7,861,086	-	7,861,086
Compensated absences	10,704,052	-	10,704,052
Claims and judgements	3,056,090	-	3,056,090
Total long-term obligations	<u>\$ 172,576,434</u>	<u>\$ 79,354,393</u>	<u>\$ 251,930,827</u>

The City's issued \$22 million in new general obligation debt during the current fiscal year for the expansion and optimization of water and wastewater treatment facilities, street improvements, park/recreational improvements (including the Westside Multigenerational Center) and construction of a new downtown fire station. The City also issued \$11 million in refunding general obligation bonds to partially refund other outstanding bonds. This refunding allows the City to reduce its future debt service requirements by \$235,226.

The City's total bonded debt increased by approximately \$11.2 million. The ratio of net (total bonded debt less debt service reserves) general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies, investors and investors. A comparison of these indicators follows:

	Fiscal Year 2001/2002	Fiscal Year 2000/2001
Net General Bonded Debt	\$63,411,573	\$62,969,310
Net General Bonded Debt per capita	398	393
Ratio of net General bonded debt to net Assessed value	4.4%	4.4%
Debt service tax rate per \$100 of taxable Valuation	\$ 0.82	\$ 0.80

The State constitution imposes certain debt limitations on the City of 6% and 20% of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2002 is \$35 million and \$178 million under the 6% and 20% limitation, respectively. Additional information on the debt limitations may be found in Note 10 to the Financial Statements and the Statistical Section (Exhibit S-16) of this report.

During the year, the City maintained its AA+ rating from Standard & Poors Corporation, its Aa1 rating from Moody's Investors Service, and its AAA rating from Fitch Ratings on its outstanding debt.

Subsequent to June 30, 2002, the City issued \$15.5 million in variable rate demand excise tax revenue obligations dated October 7, 2002. The bonds will be used to finance cost, as described earlier, associated with phase one of the Tempe Center for the Arts.

Additional information on the City's long-term debt can be found in Note 10 to the Financial Statements.

OTHER MATTERS

Preliminary forecasts indicate that the City will endure a period of very slow growth in its sales tax revenues. In fact, the City has incorporated into its biennial budget that this revenue source will only grow about 2-3% annually over the next two years, down from the growth the City experienced from the mid 1990's through mid-year 2001.

In preliminary planning of the 2003/2005 biennial budget, management has already begun to take steps to ensure that the City has a balanced budget. These steps include a hiring freeze, reduction in our work force, postponement of certain major capital projects, and a slowdown in capital spending. The City is also reviewing ways in which it could improve its revenue base. A retail specialist has been hired to assist the City in attracting new businesses to some of the existing shopping plazas. These are just some of the initiatives undertaken by the City to help strengthen its economic future.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, city council, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact:

City of Tempe
Financial Services Department
Accounting Division
20 E. Sixth Street
Tempe, AZ 85281
(480) 350-8350





City of Tempe, Arizona
Statement of Net Assets
June 30, 2002

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Pooled cash and investments	\$ 202,738,318	\$ 62,430,929	\$ 265,169,247
Receivables:			
Taxes	10,014,409	-	10,014,409
Accounts, net	2,197,763	6,681,643	8,879,406
Accrued interest	1,487,618	586,145	2,073,763
Due from other governments	8,866,521	458,010	9,324,531
Inventories	1,099,001	464,407	1,563,408
Prepaid items	1,575,110	-	1,575,110
Deferred issuance costs	1,294,099	-	1,294,099
Restricted cash and investments	23,656,294	15,432,121	39,088,415
Special assessment receivables	20,162,570	-	20,162,570
Capital improvement notes receivable	172,570	3,980,206	4,152,776
Equity in joint venture	-	68,447,022	68,447,022
Capital assets (net of accumulated depreciation):			
Land	28,868,113	9,935,732	38,803,845
Buildings	84,685,209	36,927,083	121,612,292
Infrastructure	394,832,146	87,302,281	482,134,427
Improvements	32,056,661	42,345,674	74,402,335
Machinery and equipment	35,111,748	11,397,634	46,509,382
Construction in progress	18,437,562	4,183,614	22,621,176
Total assets	<u>867,255,712</u>	<u>350,572,501</u>	<u>1,217,828,213</u>
<u>Liabilities</u>			
Accounts payable	12,430,088	2,395,699	14,825,787
Deposits	4,748,070	814,200	5,562,270
Accrued expenses	8,953,054	2,138,853	11,091,907
Due to other governments	55,922	-	55,922
Deferred revenue	743,800	-	743,800
Liabilities payable from restricted assets	9,759,350	10,065,796	19,825,146
Long-term liabilities:			
Special assessment debt with a governmental commitment	20,250,000	-	20,250,000
Due within one year	8,715,668	6,319,393	15,035,061
Due in more than one year	143,610,766	73,035,000	216,645,766
Total liabilities	<u>209,266,718</u>	<u>94,768,941</u>	<u>304,035,659</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	433,414,734	173,224,647	606,639,381
Restricted for:			
Special Revenue	58,512,570	-	58,512,570
Debt Service	35,671,350	10,065,796	45,737,146
Capital Projects	28,388,133	-	28,388,133
Unrestricted	102,002,207	72,513,117	174,515,324
Total net assets	<u>\$ 657,988,994</u>	<u>\$ 255,803,560</u>	<u>\$ 913,792,554</u>

The notes to the financial statements are an integral part of this statement.

City of Tempe, Arizona
Statement of Activities
For the Year Ended June 30, 2002

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Police	\$ 45,265,995	\$ 28,181	\$ 1,619,534	\$ -
Fire	15,988,363	43,782	-	-
Community services	20,874,630	4,586,011	1,270,386	-
Public works	57,047,822	3,343,519	1,101,995	8,867,597
Community relations	2,212,271	-	-	-
Mayor and council	516,899	-	-	-
City manager	1,414,543	-	-	-
City clerk and elections	784,099	-	-	-
City attorney	2,420,285	-	-	-
Municipal courts	3,325,642	6,382,786	-	-
Development services	16,808,229	1,859,012	7,790,842	-
Economic development	2,485,774	179,726	-	508,558
Financial services	4,906,157	2,007,179	-	-
Human resources	4,058,772	-	-	-
Information technology	804,751	-	-	-
Non-departmental	7,594,725	115,498	-	-
Interest on long-term debt	6,588,170	-	-	-
Total governmental activities	193,097,127	18,545,694	11,782,757	9,376,155
Business-type activities:				
Water/Wastewater	37,017,484	40,890,844	-	2,033,578
Refuse	10,294,641	9,979,359	-	-
Golf course	2,441,907	2,124,037	-	-
Total business-type activities	49,754,032	52,994,240	-	2,033,578
Total government	\$ 242,851,159	\$ 71,539,934	\$ 11,782,757	\$ 11,409,733

General revenues:

- Sales taxes
- State income taxes
- Property taxes
- Franchise taxes
- Auto-lieu taxes
- Loss from Joint Venture
- Unrestricted investment earnings
- Miscellaneous
- Gain on sale of capital assets

Transfers

- Total general revenues and transfers
- Change in net assets

Net assets- beginning

Net assets- ending

(continued)

City of Tempe, Arizona
Statement of Activities
For the Year Ended June 30, 2002

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (43,618,280)	\$ -	\$ (43,618,280)
(15,944,581)	-	(15,944,581)
(15,018,233)	-	(15,018,233)
(43,734,711)	-	(43,734,711)
(2,212,271)	-	(2,212,271)
(516,899)	-	(516,899)
(1,414,543)	-	(1,414,543)
(784,099)	-	(784,099)
(2,420,285)	-	(2,420,285)
3,057,144	-	3,057,144
(7,158,375)	-	(7,158,375)
(1,797,490)	-	(1,797,490)
(2,898,978)	-	(2,898,978)
(4,058,772)	-	(4,058,772)
(804,751)	-	(804,751)
(7,479,227)	-	(7,479,227)
(6,588,170)	-	(6,588,170)
<u>(153,392,521)</u>	<u>-</u>	<u>(153,392,521)</u>
-	5,906,938	5,906,938
-	(315,282)	(315,282)
-	(317,870)	(317,870)
-	5,273,786	5,273,786
<u>\$ (153,392,521)</u>	<u>\$ 5,273,786</u>	<u>\$ (148,118,735)</u>
111,538,072	-	111,538,072
16,544,791	-	16,544,791
20,375,185	-	20,375,185
1,810,590	-	1,810,590
5,233,512	-	5,233,512
-	(1,874,815)	(1,874,815)
11,223,592	3,745,272	14,968,864
1,444,812	325,906	1,770,718
-	408,156	408,156
(68,770)	68,770	-
<u>168,101,784</u>	<u>2,673,289</u>	<u>170,775,073</u>
14,709,263	7,947,075	22,656,338
643,279,731	247,856,485	891,136,216
<u>\$ 657,988,994</u>	<u>\$ 255,803,560</u>	<u>\$ 913,792,554</u>

The notes to the financial statements are an integral part of this statement.

City of Tempe, Arizona
Balance Sheet
Governmental Funds
June 30, 2002

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
<u>Assets</u>				
Pooled cash and investments	\$ 77,760,495	\$ 36,335,966	\$ 3,767,142	\$ 138,938
Receivables:				
Taxes	6,837,339	2,195,368	466,004	-
Accounts	1,500,211	-	-	-
Accrued interest	1,223,610	216,184	-	-
Due from other funds	810,103	-	-	-
Due from other governments	1,060,749	971,922	-	-
Inventories	256,763	-	-	-
Prepaid items	895,110	-	-	-
Restricted cash and investments	55,911	6,034,766	16,119,631	565,924
Special assessments	-	-	-	20,162,570
Capital improvement notes receivable	172,570	-	-	-
Total assets	<u>\$ 90,572,861</u>	<u>\$ 45,754,206</u>	<u>\$ 20,352,777</u>	<u>\$ 20,867,432</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 2,707,698	\$ 3,483,033	\$ 10,572	\$ -
Deposits	4,689,081	-	-	-
Accrued expenditures	3,471,691	49,354	-	-
Claims and judgements	586,043	9,341	-	-
Due to other funds	-	-	-	-
Due to other governments	55,922	-	-	-
Deferred revenue	1,612,165	-	291,959	20,162,570
Matured bonds payable	-	1,192,500	5,702,500	-
Matured interest payable	-	29,813	2,224,319	565,779
Total liabilities	<u>13,122,600</u>	<u>4,764,041</u>	<u>8,229,350</u>	<u>20,728,349</u>
Fund Balances				
Fund balances:				
Reserved for:				
Encumbrances	1,771,790	46,405	-	-
Inventories	256,763	-	-	-
Notes receivable	172,570	-	-	-
Debt Service	-	-	12,123,427	139,083
Unreserved, designated (see note 17)	40,123,341	-	-	-
Unreserved, reported in:				
General fund	35,125,797	-	-	-
Special revenue funds	-	40,943,760	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>77,450,261</u>	<u>40,990,165</u>	<u>12,123,427</u>	<u>139,083</u>
Total liabilities and fund balances	<u>\$ 90,572,861</u>	<u>\$ 45,754,206</u>	<u>\$ 20,352,777</u>	<u>\$ 20,867,432</u>

(continued)

City of Tempe, Arizona
Balance Sheet
Governmental Funds
June 30, 2002

Performing Arts Capital Projects	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,597,613	\$ 26,030,160	\$ 49,168,744	\$ 195,799,058
-	-	515,698	10,014,409
-	-	697,552	2,197,763
-	-	47,824	1,487,618
-	-	-	810,103
-	3,200,409	3,633,441	8,866,521
-	-	842,238	1,099,001
-	-	680,000	1,575,110
-	-	880,062	23,656,294
-	-	-	20,162,570
-	-	-	172,570
<u>\$ 2,597,613</u>	<u>\$ 29,230,569</u>	<u>\$ 56,465,559</u>	<u>\$ 265,841,017</u>
\$ 679,780	\$ 2,035,710	\$ 3,273,690	\$ 12,190,483
-	-	58,989	4,748,070
-	-	266,389	3,787,434
-	-	37,348	632,732
-	-	810,103	810,103
-	-	-	55,922
-	-	2,366,935	24,433,629
-	-	-	6,895,000
-	-	44,439	2,864,350
<u>679,780</u>	<u>2,035,710</u>	<u>6,857,893</u>	<u>56,417,723</u>
1,073,270	8,688,291	9,979,150	21,558,906
-	-	842,238	1,099,001
-	-	-	172,570
-	-	-	12,262,510
-	-	-	40,123,341
-	-	-	35,125,797
-	-	18,607,350	59,551,110
844,563	18,506,568	20,178,928	39,530,059
<u>1,917,833</u>	<u>27,194,859</u>	<u>49,607,666</u>	<u>209,423,294</u>
<u>\$ 2,597,613</u>	<u>\$ 29,230,569</u>	<u>\$ 56,465,559</u>	<u>\$ 265,841,017</u>

The notes to the financial statements are an integral part of this statement.

City of Tempe, Arizona
Reconciliation of the Balance Sheet
to the Statement of Net Assets
June 30, 2002

Fund balances- total governmental funds	\$209,423,294
Amounts reported for the governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	593,991,439
Bond issuance costs are not financial resources and, therefore are not reported in the funds.	1,294,099
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore, are not reported in the governmental funds.	(171,943,702)
Other long-term assets are not available to pay current-period expenditures and, therefore are offset by deferred revenue in the funds.	23,689,829
Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.	<u>1,534,035</u>
Net assets of governmental activities	<u><u>\$657,988,994</u></u>

The notes to the financial statements are an integral part of this statement.



City of Tempe, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2002

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Revenues:				
Taxes:				
Sales taxes	\$ 58,517,679	\$ 25,229,927	\$ -	\$ -
Property taxes	7,545,446	-	12,326,172	-
Franchise taxes	1,810,590	-	-	-
Intergovernmental:				
Federal grants	5,243	-	-	-
State grants	4,000	201,580	-	-
State sales tax	12,148,438	-	-	-
State income tax	16,544,791	-	-	-
Auto lieu tax	5,233,512	-	-	-
Other	-	4,369,526	-	-
Investment income	6,877,607	3,475,024	140,125	-
Charges for services	6,477,007	-	-	-
Fines and forfeitures	4,601,758	8,148	-	-
Other entities' participation	-	-	-	-
Special assessments	-	-	-	2,845,691
Licenses and permits	1,105,145	-	-	-
Miscellaneous	2,830,718	1,828	3,387	4,307
Total revenues	<u>123,701,934</u>	<u>33,286,033</u>	<u>12,469,684</u>	<u>2,849,998</u>
Expenditures:				
Current:				
Police	42,914,375	-	-	-
Fire	14,520,421	-	-	-
Community services	18,421,636	-	-	-
Public works	12,980,304	20,619,814	-	-
Community relations	2,126,245	-	-	-
Mayor and council	516,899	-	-	-
City manager	1,464,931	-	-	-
City clerk and elections	774,756	-	-	-
City attorney	2,437,072	-	-	-
Municipal courts	3,094,839	-	-	-
Development services	7,282,147	-	-	-
Economic development	504,782	-	-	-
Financial services	4,747,540	-	-	-
Human resources	4,049,591	-	-	-
Information technology	600,852	-	-	-
Non-departmental	1,412,665	-	-	-
Debt service:				
Principal retirement	-	2,351,250	6,858,250	1,675,000
Interest and fiscal fees	-	92,147	4,366,067	1,234,657
Capital outlay	-	-	-	-
Total expenditures	<u>117,849,055</u>	<u>23,063,211</u>	<u>11,224,317</u>	<u>2,909,657</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>5,852,879</u>	<u>10,222,822</u>	<u>1,245,367</u>	<u>(59,659)</u>
Other financing sources (uses):				
Transfers in	11,210,999	300,138	5,788,250	-
Transfers out	(26,913,727)	(1,268,200)	(4,067,450)	-
Issuance of debt	-	-	-	-
Capital lease proceeds	686,109	-	-	-
Proceeds of refunding bonds	-	-	5,970,000	-
Payment to refunded bond escrow agent	-	-	(5,948,430)	-
Total other financing sources (uses)	<u>(15,016,619)</u>	<u>(968,062)</u>	<u>1,742,370</u>	<u>-</u>
Net change in fund balances	(9,163,740)	9,254,760	2,987,737	(59,659)
Fund balance at beginning of year	86,614,001	31,735,405	9,135,690	198,742
Fund balance at end of year	<u>\$ 77,450,261</u>	<u>\$ 40,990,165</u>	<u>\$ 12,123,427</u>	<u>\$ 139,083</u>

(continued)

City of Tempe, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2002

Performing Arts Capital Projects	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,788,197	\$ 89,535,803
-	-	34,252	19,905,870
-	-	-	1,810,590
-	3,200,968	10,911,420	14,117,631
-	60,000	1,329,790	1,595,370
-	-	9,853,831	22,002,269
-	-	-	16,544,791
-	-	-	5,233,512
-	-	1,279,940	5,649,466
-	-	730,836	11,223,592
-	-	73,010	6,550,017
-	-	370,871	4,980,777
-	-	817,041	817,041
-	-	-	2,845,691
-	-	-	1,105,145
-	-	836,366	3,676,606
-	3,260,968	32,025,554	207,594,171
-	-	1,610,290	44,524,665
-	-	383,480	14,903,901
-	-	932,081	19,353,717
-	-	7,442,556	41,042,674
-	-	-	2,126,245
-	-	-	516,899
-	-	-	1,464,931
-	-	-	774,756
-	-	-	2,437,072
-	-	166,429	3,261,268
-	-	8,533,057	15,815,204
-	-	1,940,693	2,445,475
-	-	-	4,747,540
-	-	-	4,049,591
-	-	-	600,852
-	-	-	1,412,665
-	-	-	10,884,500
-	-	767,450	6,460,321
2,592,667	8,661,118	25,064,263	36,318,048
2,592,667	8,661,118	46,840,299	213,140,324
(2,592,667)	(5,400,150)	(14,814,745)	(5,546,153)
4,510,500	1,022,800	31,978,302	54,810,989
-	-	(22,630,382)	(54,879,759)
-	-	8,000,000	8,000,000
-	-	-	686,109
-	-	-	5,970,000
-	-	-	(5,948,430)
4,510,500	1,022,800	17,347,920	8,638,909
1,917,833	(4,377,350)	2,533,175	3,092,756
-	31,572,209	47,074,491	206,330,538
\$ 1,917,833	\$ 27,194,859	\$ 49,607,666	\$ 209,423,294

The notes to the financial statements are an integral part of this statement.

City of Tempe, Arizona
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2002

Net change in fund balances- total governmental funds	\$ 3,092,756
Amounts reported for the governmental activities in the statement of activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(1,605,110)
Certain revenues in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.	280,989
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	9,060,447
Lease payments are reported as expenditures in the governmental funds when paid. For the city as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets while the acquisition of new leases increase the liability. This is the amount by which principal payments exceed new capital leases.	741,244
Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year amortization exceed current year bond issuance costs.	(127,849)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which the retirement exceeded bond proceeds in the current period.	3,165,676
The net revenues of certain activities of internal service funds is reported with governmental activities.	101,110
Changes in net assets of governmental activities	<u>\$ 14,709,263</u>

The notes to the financial statements are an integral part of this statement.

**City of Tempe, Arizona
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual
For the Year Ended June 30, 2002**

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Postive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 77,934,943	\$ 77,934,943	\$ 67,873,715	\$ (10,061,228)
Intergovernmental	35,178,000	35,178,000	33,935,984	(1,242,016)
Investment income	5,307,000	5,307,000	6,877,607	1,570,607
Charges for services	7,965,219	7,965,219	6,477,007	(1,488,212)
Fines and forfeitures	4,494,388	4,494,388	4,601,758	107,370
Licenses and permits	681,850	681,850	1,105,145	423,295
Miscellaneous	2,334,458	2,334,458	2,830,718	496,260
Total revenues	<u>133,895,858</u>	<u>133,895,858</u>	<u>123,701,934</u>	<u>(10,193,924)</u>
Expenditures				
Police	43,851,476	43,223,649	41,608,772	1,614,877
Fire	14,854,413	14,912,102	14,513,248	398,854
Community services	19,151,270	18,906,828	17,995,026	911,802
Public works	13,435,365	12,883,588	12,602,299	281,289
Community relations	2,166,620	2,330,818	2,257,521	73,297
Mayor and council	523,001	527,265	496,959	30,306
City Manager	1,354,761	1,462,583	1,469,215	(6,632)
City clerk and elections	717,900	741,435	733,155	8,280
City attorney	2,521,196	2,560,296	2,495,212	65,084
Municipal courts	3,167,436	3,088,864	2,998,706	90,158
Development services	8,271,641	7,495,745	7,147,967	347,778
Economic development	560,087	544,553	498,614	45,939
Financial Services	5,227,487	5,346,108	4,726,707	619,401
Human resources	3,866,016	4,157,448	3,745,271	412,177
Information technology	-	313,781	(102,397)	416,178
Non-departmental	6,292,849	4,421,767	3,232,904	1,188,863
Total expenditures	<u>125,961,518</u>	<u>122,916,830</u>	<u>116,419,179</u>	<u>6,497,649</u>
Other financing sources (uses)				
Transfers from other funds	6,375,000	6,375,000	11,210,999	4,835,999
Transfers to other funds	(18,018,397)	(24,796,842)	(26,913,727)	(2,116,885)
Total other financing sources (uses)	<u>(11,643,397)</u>	<u>(18,421,842)</u>	<u>(15,702,728)</u>	<u>2,719,114</u>
Net change in fund balance	<u>\$ (3,709,057)</u>	<u>\$ (7,442,814)</u>	<u>(8,419,973)</u>	<u>\$ (977,161)</u>

Explanation of differences between budgetary revenues and expenditures, and GAAP revenues and expenditures:

The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(462,632)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	(574,352)
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	<u>293,217</u>
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ (9,163,740)</u>

The notes to the financial statements are an integral part of this statement.

City of Tempe, Arizona
Transit Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual
For the Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 29,193,000	\$ 29,193,000	\$ 25,229,927	\$(3,963,073)
Intergovernmental	3,270,400	3,270,400	4,571,106	1,300,706
Investment income	2,242,000	2,242,000	3,475,024	1,233,024
Fines and forfeitures	17,700	17,700	8,148	(9,552)
Miscellaneous	-	-	1,828	1,828
Total revenues	<u>34,723,100</u>	<u>34,723,100</u>	<u>33,286,033</u>	<u>(1,437,067)</u>
Expenditures				
Current:				
Public works	22,150,377	20,867,595	19,778,265	1,089,330
Contingency	449,232	449,232	-	449,232
Debt service:				
Principal retirement	2,351,250	2,351,250	2,351,250	-
Interest and fiscal fees	93,991	93,991	92,147	1,844
Total expenditures	<u>25,044,850</u>	<u>23,762,068</u>	<u>22,221,662</u>	<u>1,540,406</u>
Other financing sources (uses)				
Transfers from other funds	307,700	307,700	300,138	(7,562)
Transfers to other funds	(1,268,200)	(1,268,200)	(1,268,200)	-
Total other financing sources (uses)	<u>(960,500)</u>	<u>(960,500)</u>	<u>(968,062)</u>	<u>(7,562)</u>
Net change in fund balance	<u>\$ 8,717,750</u>	<u>\$ 10,000,532</u>	<u>10,096,309</u>	<u>\$ 95,777</u>

Explanation of differences between budgetary revenues and expenditures, and GAAP revenues and expenditures:

The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(45,304)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	(793,836)
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(2,409)
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 9,254,760</u>

The notes to the financial statements are an integral part of this statement.



City of Tempe, Arizona
Statement of Net Assets
Proprietary Funds
June 30, 2002

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Wastewater	Refuse	Golf Course	
Assets				
Current assets:				
Pooled cash and investments	\$ 61,330,190	\$ 31,697	\$ 1,069,042	\$ 62,430,929
Accounts receivable	5,901,184	780,459	-	6,681,643
Accrued interest receivable	523,077	49,678	13,390	586,145
Due from other governments	458,010	-	-	458,010
Inventories	464,407	-	-	464,407
Total current assets	68,676,868	861,834	1,082,432	70,621,134
Noncurrent assets:				
Restricted cash and investments	15,342,729	-	89,392	15,432,121
Capital improvement notes receivable	3,980,206	-	-	3,980,206
Equity in joint venture	68,447,022	-	-	68,447,022
Capital Assets:				
Land	9,573,184	-	362,548	9,935,732
Buildings	45,992,418	1,265,783	1,822,663	49,080,864
Infrastructure	166,258,143	-	-	166,258,143
Improvements	74,038,652	-	4,456,738	78,495,390
Machinery and equipment	22,976,687	14,234,215	1,102,413	38,313,315
Construction in progress	4,075,995	-	107,619	4,183,614
Less accumulated depreciation	(139,538,091)	(11,145,117)	(3,491,832)	(154,175,040)
Total capital assets (net of accumulated depreciation)	183,376,988	4,354,881	4,360,149	192,092,018
Total noncurrent assets	271,146,945	4,354,881	4,449,541	279,951,367
Total assets	\$ 339,823,813	\$ 5,216,715	\$ 5,531,973	\$ 350,572,501
				\$ 6,939,260

(continued)

City of Tempe, Arizona
Statement of Net Assets
Proprietary Funds
June 30, 2002

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Refuse	Golf Course	Total	
Liabilities					
Current liabilities:					
Accounts payable	\$ 1,919,212	\$ 395,303	\$ 81,184	\$ 2,395,699	\$ 239,605
Deposits	784,584	29,616	-	814,200	-
Accrued expenses	1,569,620	416,850	152,383	2,138,853	5,165,620
Total current liabilities	<u>4,273,416</u>	<u>841,769</u>	<u>233,567</u>	<u>5,348,752</u>	<u>5,405,225</u>
Current liabilities payable from restricted assets:					
Accrued interest payable	2,085,018	-	20,778	2,105,796	-
General obligation bonds- current	7,855,000	-	-	7,855,000	-
Tempe Municipal Property Corporation bonds payable	-	-	105,000	105,000	-
Total current liabilities payable from restricted assets	<u>9,940,018</u>	<u>-</u>	<u>125,778</u>	<u>10,065,796</u>	<u>-</u>
Noncurrent liabilities:					
General obligation bonds payable	78,595,000	-	-	78,595,000	-
Tempe Municipal Property Corporation bonds payable	-	-	630,000	630,000	-
Capital improvement notes payable	-	129,393	-	129,393	-
Total noncurrent liabilities	<u>78,595,000</u>	<u>129,393</u>	<u>630,000</u>	<u>79,354,393</u>	<u>-</u>
Total liabilities	<u>92,808,434</u>	<u>971,162</u>	<u>989,345</u>	<u>94,768,941</u>	<u>5,405,225</u>
Net Assets					
Invested in capital assets, net of related debt	165,374,010	4,225,488	3,625,149	173,224,647	-
Restricted:					
Debt service	9,940,018	-	125,778	10,065,796	-
Unrestricted	71,701,351	20,065	791,701	72,513,117	1,534,035
Total net assets	<u>\$ 247,015,379</u>	<u>\$ 4,245,553</u>	<u>\$ 4,542,628</u>	<u>\$ 255,803,560</u>	<u>\$ 1,534,035</u>

The notes to the financial statements are an integral part of this statement.

City of Tempe, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2002

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Wastewater	Refuse	Golf Course	Total
Operating revenues:				
Charges for services	\$40,890,844	\$9,979,359	\$2,124,037	\$52,994,240
Miscellaneous	325,906	-	-	325,906
Total operating revenues	<u>41,216,750</u>	<u>9,979,359</u>	<u>2,124,037</u>	<u>53,320,146</u>
Operating expenses:				
Personal services	8,886,893	3,331,795	941,292	13,159,980
Supplies and materials	1,704,228	341,037	214,385	2,259,650
Fees and services	14,033,294	5,752,403	868,456	20,654,153
Depreciation	8,181,242	869,406	374,205	9,424,853
Total operating expenses	<u>32,805,657</u>	<u>10,294,641</u>	<u>2,398,338</u>	<u>45,498,636</u>
Operating income (loss)	<u>8,411,093</u>	<u>(315,282)</u>	<u>(274,301)</u>	<u>7,821,510</u>
Nonoperating revenues (expenses):				
Investment income	3,665,178	46,852	33,242	3,745,272
Interest and fiscal fees	(4,211,827)	-	(43,569)	(4,255,396)
Gain on sale of capital asset	408,156	-	-	408,156
Net loss from joint venture	(1,874,815)	-	-	(1,874,815)
Income (loss) before operating transfers	<u>6,397,785</u>	<u>(268,430)</u>	<u>(284,628)</u>	<u>5,844,727</u>
Capital contributions	2,033,578	-	-	2,033,578
Transfers in	3,924,178	-	39,483	3,963,661
Transfers out	(3,500,222)	(15,699)	(378,970)	(3,894,891)
Change in net assets	<u>8,855,319</u>	<u>(284,129)</u>	<u>(624,115)</u>	<u>7,947,075</u>
Total net assets- beginning	<u>238,160,060</u>	<u>4,529,682</u>	<u>5,166,743</u>	<u>247,856,485</u>
Total net assets- ending	<u>\$247,015,379</u>	<u>\$4,245,553</u>	<u>\$4,542,628</u>	<u>\$255,803,560</u>

The notes to the financial statements are an integral part of this statement.

City of Tempe, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2002

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Wastewater	Refuse	Golf Course	Total
Cash flows from operating activities:				
Receipts from customers	\$ 41,266,123	\$ 9,352,401	\$ 2,124,037	\$ 52,742,561
Receipts from other funds	-	-	-	-
Payments to employees for services	(8,634,806)	(3,292,123)	(933,103)	(12,860,032)
Payments to suppliers for goods and services	(16,035,528)	(6,219,213)	(1,044,920)	(23,299,661)
Payment for settlement of claims	-	-	-	-
Net cash provided (used) by operating activities	<u>16,595,789</u>	<u>(158,935)</u>	<u>146,014</u>	<u>16,582,868</u>
Cash flows from noncapital financing activities:				
Capital contributions	2,033,578	-	-	2,033,578
Transfers in	3,924,178	-	39,483	3,963,661
Transfers out	(3,500,222)	(15,699)	(378,970)	(3,894,891)
Net cash provided (used) by noncapital financing activities	<u>2,457,534</u>	<u>(15,699)</u>	<u>(339,487)</u>	<u>2,102,348</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of bonds	19,075,000	-	-	19,075,000
Principal paid on long-term debt	(13,095,000)	(121,783)	(100,000)	(13,316,783)
Interest and fiscal fees	(4,272,099)	-	(46,494)	(4,318,593)
Acquisition of capital assets, net	(13,616,823)	(894,787)	(180,374)	(14,691,984)
Proceeds from the sale of assets	408,156	-	-	408,156
Investment in joint venture	(9,663,549)	-	-	(9,663,549)
Net cash used by capital and related financing activities	<u>(21,164,315)</u>	<u>(1,016,570)</u>	<u>(326,868)</u>	<u>(22,507,753)</u>
Cash flows from investing activities:				
Interest received	3,738,766	45,151	32,348	3,816,265
Collection of notes receivable	302,746	-	-	302,746
Net cash provided by investing activities	<u>4,041,512</u>	<u>45,151</u>	<u>32,348</u>	<u>4,119,011</u>
Net increase (decrease) in cash and cash equivalents	1,930,520	(1,146,053)	(487,993)	296,474
Cash and cash equivalents at beginning of year	74,742,399	1,177,750	1,646,427	77,566,576
Cash and cash equivalents at end of year	<u>\$ 76,672,919</u>	<u>\$ 31,697</u>	<u>\$ 1,158,434</u>	<u>\$ 77,863,050</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 8,411,093	\$ (315,282)	\$ (274,301)	\$ 7,821,510
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	8,181,242	869,406	374,205	9,424,853
Change in assets and liabilities:				
(Increase) decrease in receivables	49,373	(626,958)	-	(577,585)
(Increase) decrease in inventories	(71,653)	-	-	(71,653)
Increase (decrease) in deposits	(982)	29,616	-	28,634
Increase (decrease) in payables	(225,371)	(155,389)	37,921	(342,839)
Increase (decrease) in accrued expenses	252,087	39,672	8,189	299,948
Net cash provided (used) by operating activities	<u>\$ 16,595,789</u>	<u>\$ (158,935)</u>	<u>\$ 146,014</u>	<u>\$ 16,582,868</u>
Noncash investing, capital, and financing activities:				
Net loss from joint venture	\$ (1,874,815)	\$ -	\$ -	\$ (1,874,815)
Total noncash investing, capital, and financing activities:	<u>\$ (1,874,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,874,815)</u>

The notes to the financial statements are an integral part of this statement.





The City of Tempe, Arizona (the "City") was incorporated on November 26, 1894. On October 19, 1964, the electors in accordance with Arizona State Law ratified a Home Rule City Charter. The City operates under a Council-Manager form of government and provides services as authorized by its charter including: public safety (police, fire, building inspection), highways and streets, public transit, sanitation, water and wastewater, cultural-recreational, public improvements, planning and zoning, and general and administrative.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the City's significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units.

A. Reporting Entity

The accompanying basic financial statements include the City and all its component units, collectively referred to as "the financial reporting entity". In accordance with the Governmental Accounting Standards Board's ("GASB") Statement 14, the component units discussed below have been included in the City's financial reporting entity because of the significance of their financial relationships with the City.

City of Tempe Municipal Property Corporation: The Tempe Municipal Property Corporation (the "Municipal Property Corporation") is a nonprofit corporation organized under the laws of the State of Arizona to assist the City in financing its capital improvements projects.

Tempe Sports Authority Corporation: The Tempe Sports Authority Corporation is a nonprofit corporation organized under the laws of the State of Arizona for the express purpose of aiding and assisting the City in financing municipal facilities.

Rio Salado Community Facilities District: The Rio Salado Community Facilities District (CFD) was organized on February 20, 1997, under the laws of the State of Arizona to facilitate development of the Rio Salado Town Lake project.

Data for these component units have been included in the City's basic financial statements utilizing the "blending" method because their sole purpose is to finance public facilities for the City. Blending involves aggregating the component units' data and data from the City at the government-wide and fund financial statement level. Separately issued financial statements are not available for the City's component units.

B. Basic Financial Statements - GASB No. 34

The basic financial statements include both government-wide (based on the City as a whole and its component units) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements - GASB No. 34 (Continued)

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statement should directly reconcile to the business-type activity column presented in the government-wide statements.

Internal service funds of a government (which traditionally provide services primarily to other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

C. Basis of Presentation

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the City:

Governmental Fund Types

Governmental Funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income.

Governmental Funds include the following fund types:

General - The General Fund is the general operating fund of the City. It is used to account for all activities of the City not accounted for in some other fund.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Fund Types (Continued)

Special Revenue - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally or otherwise restricted to expenditures for specified purposes. There is one special revenue fund presented as major fund in the basic financial statements, it is as follows:

Transit Special Revenue Fund - accounts for the receipt and expenditures of the Transit Tax monies. These monies are restricted to financing transit operations and improvements.

Debt Service - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long term debt not being accounted for in the Special Revenue Funds and Enterprise Funds. Both debt service funds are presented as major funds in the basic financial statements:

General Obligation Debt Service Fund - accounts for the accumulation of resources and payments of general obligation debt.

Special Assessment Debt Service Fund - accounts for the accumulation of resources and payments of special assessment debt.

Capital Projects - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). Two capital project funds are presented as major funds in the basic financial statements:

Performing Arts Capital Projects Fund - used for the construction of the performing and visual arts center.

Transit Capital Projects Fund - used for the acquisition of buses, the light rail system, and other traffic flow improvements.

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net assets, financial position and cash flows. Each proprietary fund is reported as major funds in the basic financial statements.

Proprietary funds include the following fund types:

Enterprise - Enterprise Funds are used to account for operations, including debt service, (a) that are financed and operated in a manner similar to private businesses - where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Equity in Joint Venture - The equity method is used to account for the City's equity interest in a joint venture (See Note 8). Under this method, the equity interest is recorded in the balance sheet as a single amount. In addition, the City's share of the net income or loss is reported in the Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds, as a nonoperating revenue or expense.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Fund Types (Continued)

The following enterprise funds are used by the City:

Water and Wastewater Fund – accounts for the provision of water and sewer services to the residents of the City and some residents in the adjoining Town of Guadalupe. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection.

Refuse Fund – accounts for the provision of refuse collection and disposal services for both residential and commercial customers. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing, billing and collection.

Golf Course Fund - accounts for the operation of the Rolling Hills and Ken McDonald golf courses. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance and financing.

Internal Service - Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Risk Management Fund – accounts for expenses incurred for worker's compensation, automobile liability, general liability, and property claims under the City's self-insurance program.

Health Fund – accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government's water and sewer function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

GASB No. 20 requires that governments with proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Accounting Principles Board Opinion No. 22, Disclosure of Accounting Policies, require the same treatment for the government-wide financial statements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989 for the government-wide or proprietary fund financial statements.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

E. Implementation of New Accounting Principles

(1) Governmental Accounting Standards Board Statement No. 34

The City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the City are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

(2) Governmental Accounting Standards Board Statement No. 36

The City adopted the provisions of GASB Statement No. 36, *Receipt Reporting for Certain Shared Nonexchange Revenues*. This statement amends GASB Statement No. 33 with respect to the manner in which shared nonexchange revenues are accounted for by recipient governments.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Implementation of New Accounting Principles (Continued)

(3) Governmental Accounting Standards Board Statement No. 37

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

(4) Governmental Accounting Standards Board Statement No. 38

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

(5) Governmental Accounting Standards Board Interpretation No. 6

The City adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation impacts the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB Statement No. 34 but has no direct impact on the government-wide financial statements. Accordingly, the City has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of June 30, 2002, and has restated fund balances as of July 1, 2001 to reflect the cumulative effect of the change as of that date see (Note 1S).

F. Budgetary Data

Even though Tempe has adopted a biennial budget plan, State law mandates that cities and towns adopt a budget annually. As a result, an operating budget is legally adopted by resolution each fiscal year for the General, Special Revenue (except Grants and Court Awards), Debt Service (except Special Assessments), and Proprietary Funds on a modified accrual basis plus encumbrances. The separately issued biennial budget may be obtained from the City's Financial Services Department, Budget and Research Division, 20 East Sixth Street, Tempe, Arizona, 85280.

Certain differences as described in Note 3 exist between the basis of accounting used for budgetary purposes and that used for reporting purposes in accordance with GAAP.

The legal level of budgetary control is the total operating budget as adopted. Management may amend the budget at any level below the total operating budget as adopted. The total operating budget can only be amended by the City Council subject to limitations in the State law (see Note 1G). At the end of each fiscal year, all amounts encumbered are reappropriated as part of the following year's operating budget. Any appropriations that are either unexpended or unencumbered lapse at fiscal year-end. No supplemental appropriations were necessary during the year.

The City adheres to the following procedures in establishing the budgetary data reflected in the basic financial statements:



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Data (Continued)

- 1) Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenues and expenditures.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to July 1, the budget is legally enacted through passage of a resolution.

G. Expenditure Limitation

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments, which restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimate Commission to determine each year the expenditure limitation for the following fiscal year for each city. The limitation is calculated based upon the amount of FY 1979-1980 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population and inflation to reach the expenditure limitations. The City of Tempe's 2001-2002 Expenditure Limitation is \$156,945,882.

Local governments may carryforward to later years revenues, which are not subject to the expenditure limitation and which, were not expended in the year of receipt.

On May 21, 2002, the voters of Tempe approved a \$21 million permanent adjustment of the expenditure base. Tempe's permanent base adjustment will increase the expenditure limitation beginning in fiscal year 2002-2003.

H. Pooled Cash and Investments

Cash resources of the City are combined to form a pool of cash and investments managed by the Accounting Division. Excluded from this pool are certain legally restricted cash resources. In accordance with the City's legally adopted budget, the interest earned on pooled investments is recorded in the General Fund, except for the earnings of Enterprise Funds and other funds whose interest earnings are specifically mandated by law or an outside regulating agency to remain in those funds. Investments are stated at fair value.

The City's investment policy permits investment in the following instruments:

- 1) Obligations of the United States Government, its agencies and instrumentalities;
- 2) Fully insured or collateralized certificates of deposit and other evidences of deposit at banks and savings and loan associations;
- 3) Bankers' acceptances issued by the 10 largest domestic banks and the 20 largest international banks, provided collateral meets the standards set by the Financial Services Manager;
- 4) A-1/P-1 rated commercial paper secured by an irrevocable line of credit or collateralized by U.S. government securities;
- 5) Repurchase agreements whose underlying collateral consist of the foregoing;
- 6) Money market funds whose portfolios consist of the foregoing; and
- 7) The State of Arizona's Local Government Investment Pool.

I. Receivables

All receivables are shown net of an allowance for uncollectibles. For accounts receivable (utility billing receivables), all amounts outstanding in excess of 120 days are included in the allowance.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. The Enterprise Fund inventory and the auto parts inventory in the General Fund are valued at average cost. Other inventories in the General Fund and inventory in the Special Revenue Funds are valued at cost as determined on the first-in first-out ("FIFO") basis. Inventories are accounted for using the consumption method.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government-wide and fund financial statements.

K. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net assets, because they are maintained in trust accounts and their use is limited by applicable debt covenants.

L. Capital Assets

Capital assets, including public domain infrastructure (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$25,000 for infrastructure assets) and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	30-70
Improvements	10-50
Machinery and equipment	5-20
Infrastructure	20-100

M. Compensated Absences

Accumulated unpaid vacation, vested sick pay and vested "Mediflex" supplementary health maintenance benefits are accrued in the Government-wide and all Proprietary Fund statements. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these benefits are not expected to be liquidated with expendable available financial resources.

Vacation leave will be absorbed by time off from work or, within certain limitations, may be payable to the employees.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

Sick leave is accumulated at the rate of 96 hours (or a proportionate equivalent for employees with workweeks other than 40 hours) per year up to a maximum of 480 hours. Each year, hours accumulated in excess of 480 hours are either converted to cash at a 4-for-1 rate or accumulated in a "sick bank". Upon retirement or resignation, employees with at least 10 years service are eligible for compensation of up to 50 percent (not more than 240 hours) of accumulated sick leave.

Each employee with 3 years service receives a "Mediflex" allowance each year as reimbursement for all otherwise nonreimbursed health maintenance costs. Benefits are prorated based on length of service and increase up to a maximum of \$650 a year. Unused credits are cumulative and upon employee termination are "banked" at the following rates: after 10 years, 50 percent; after 15 years, 75 percent; after 20 years, 100 percent.

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, in the period in which the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Interfund Transactions

Interfund transactions consist of identified services performed for other funds or costs billed to other funds and are recorded as expenditures in the fund receiving the services and as a reimbursement, reducing expenditures, in the fund performing the services except for sales of water, sewer and refuse services to other City departments and the Internal Service risk management or health charges which are recorded as revenue and expenditures in the appropriate funds. All other interfund transactions are reported as transfers.

P. Fund Equity

In the fund financial statements, reserved fund equity is defined as that portion of fund equity that has legally been segregated for specific purposes. Designated fund equity is defined as that portion of fund equity for which the City has made tentative plans for future use of financial resources. Unreserved/Undesignated fund equity is defined as that portion of fund equity which is available for use in a future period.

Q. Statements of Cash Flows

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. For the purposes of the statement of cash flows, all pooled cash and investments are also considered to be cash equivalents, although there are investments with maturities in excess of three months when purchased in the portfolio. This is due to the fact that the Proprietary funds may deposit or withdraw cash at any time without prior notice or penalty, having the characteristics of demand deposits. In a statement of cash flows, cash receipts and payments are classified according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

S. Change in Accounting Policy and Transfer of Health and Golf Project Funds

The City implemented GASB 34 for the fiscal year ended June 30, 2002. The following adjustments were made in order to properly state beginning net assets using the full accrual method of accounting.

In addition, transfers were made from the General Fund to move the Health Fund component to the Internal Service Fund. Also, the portion of the Parks Capital Projects Fund relating to Golf projects was moved to the Golf Enterprise Fund.

Change in beginning net assets for governmental funds

	Governmental Activities
Net Assets:	
Fund balance at June 30, 2001, as previously reported, governmental fund types:	
General	\$ 81,767,288
Special Revenue	48,347,238
Debt Service	9,334,432
Capital Projects	62,082,307
Total fund balances at June 30, 2001, as previously reported	<u>201,531,265</u>
Transfers:	
Health Fund previously reported in General Fund, currently reported as an Internal Service Fund	(1,432,925)
Golf capital projects previously reported in Capital Projects, currently reported in the Golf Enterprise Fund	(453,805)
GASB Statement No. 34 adjustments:	
Internal service funds - equity	1,432,925
Net capital assets	584,930,992
Compensated absences removed from fund financial statements	6,686,003
Long-term liabilities – prior years compensated absences	(11,522,300)
Long-term liabilities – debt	(161,301,264)
Deferred special assessment revenue	23,408,840
	<u>441,748,466</u>
Net Assets – Governmental Funds at July 1, 2001	<u>\$ 643,279,731</u>



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Total fund balances of the City's governmental funds differ from net assets of governmental activities reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets.

Balance Sheet/Statement of Net Assets

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Assets
Assets					
Pooled cash and investments	\$ 195,799,058	-	\$6,939,260	-	\$202,738,318
Receivables:					
Taxes	10,014,409	-	-	-	10,014,409
Accounts	2,197,763	-	-	-	2,197,763
Accrued interest	1,487,618	-	-	-	1,487,618
Due from other funds	810,103	-	-	(810,103)	-
Due from other governments	8,866,521	-	-	-	8,866,521
Inventories	1,099,001	-	-	-	1,099,001
Prepaid Items	1,575,110	-	-	-	1,575,110
Deferred Issuance Costs	-	1,294,099	-	-	1,294,099
Restricted cash and investments	23,656,294	-	-	-	23,656,294
Special assessments	20,162,570	-	-	-	20,162,570
Capital improvement notes receivable	172,570	-	-	-	172,570
Capital assets (net):	-	593,991,439	-	-	593,991,439
Total assets	<u>265,841,017</u>	<u>595,285,538</u>	<u>6,939,260</u>	<u>(810,103)</u>	<u>867,255,712</u>
Liabilities					
Accounts payable	12,190,483	-	239,605	-	12,430,088
Deposits	4,748,070	-	-	-	4,748,070
Accrued expenditures	3,787,434	-	5,165,620	-	8,953,054
Claims and judgements (less than 1 year)	632,732	-	-	-	632,732
Due to other funds	810,103	-	-	(810,103)	-
Due to other governments	55,922	-	-	-	55,922
Deferred revenue	24,433,629	(23,689,829)	-	-	743,800
Matured bonds payable (restricted)	6,895,000	-	-	-	6,895,000
Matured interest payable (restricted)	2,864,350	-	-	-	2,864,350
Capital Leases	-	7,861,086	-	-	7,861,086
Capital improvement notes payable	-	10,860,206	-	-	10,860,206
Long term debt	-	140,095,000	-	-	140,095,000
Compensated absences (greater than 1 year)	-	10,704,052	-	-	10,704,052
Claims and judgements (greater than 1 year)	-	2,423,358	-	-	2,423,358
Total liabilities	<u>56,417,723</u>	<u>148,253,873</u>	<u>5,405,225</u>	<u>(810,103)</u>	<u>209,266,718</u>



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (Continued)

Fund balance/net assets

Total fund balance/net assets	209,423,294	447,031,665	1,534,035	-	657,998,994
Total liabilities and fund balances/net assets	<u>\$265,841,017</u>	<u>\$595,285,538</u>	<u>\$ 6,939,260</u>	<u>\$ (810,103)</u>	<u>\$867,255,712</u>

- (1) When capital assets (land, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$861,502,379
Accumulated depreciation	<u>(267,510,940)</u>
	<u>\$593,991,439</u>

Bond Issuance costs are expended in government funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.

Bond issuance costs	\$1,444,157
Amortization of bond issuance costs	<u>(150,058)</u>
	<u>\$1,294,099</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	\$ (10,704,052)
Claims and judgements	<u>(2,423,358)</u>
Bonds, capital improvement notes and capital leases	<u>(158,816,292)</u>
	<u>\$(171,943,702)</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance. Deferred revenue for the long-term special assessment receivables shown on the governmental fund statements is not deferred on the statement of net assets.

Deferred special assessment revenue	\$21,785,705
Deferred tax revenue	469,315
Deferred court receivable	<u>1,434,809</u>
	<u>\$23,689,829</u>

- (2) Internal service funds are used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

\$1,534,035



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds differ from the change in net assets for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenditures (3)	Capital- related Items (4)	Long-term Debt Transactions (5)	Internal Service Funds (6)	Statement of Activities
Revenues						
Taxes:						
Sales taxes	\$ 89,535,803	-	-	-	-	\$89,535,803
Property taxes	19,905,870	469,315	-	-	-	20,375,185
Franchise taxes	1,810,590	-	-	-	-	1,810,590
Intergovernmental:						
Federal grants	14,117,631	-	-	-	-	14,117,631
State grants	1,595,370	-	-	-	-	1,595,370
State sales tax	22,002,269	-	-	-	-	22,002,269
State income tax	16,544,791	-	-	-	-	16,544,791
Auto lieu tax	5,233,512	-	-	-	-	5,233,512
Other	5,649,466	-	-	-	-	5,649,466
Investment income	11,223,592	-	-	-	-	11,223,592
Charges for services	6,550,017	1,434,809	-	-	-	7,984,826
Fines and forfeitures	4,980,777	-	-	-	-	4,980,777
Other entities' participation	817,041	-	-	-	-	817,041
Special assessments	2,845,691	(1,623,135)	-	-	-	1,222,556
Licenses and permits	1,105,145	-	-	-	-	1,105,145
Miscellaneous	3,676,606	-	-	-	-	3,676,606
Total Revenues	207,594,171	280,989	-	-	-	207,875,160
Expenditures/expenses						
Current:						
Police	44,524,665	173,205	568,125	-	-	45,265,995
Fire	14,903,901	688,712	395,750	-	-	15,988,363
Community services	19,353,717	122,828	1,398,085	-	-	20,874,630
Public works	41,042,674	546,500	15,631,462	(172,814)	-	57,047,822
Community relations	2,126,245	68,937	17,089	-	-	2,212,271
Mayor and council	516,899	-	-	-	-	516,899
City manager	1,464,931	(56,767)	6,379	-	-	1,414,543
City clerk and elections	774,756	8,132	1,211	-	-	784,099
City attorney	2,437,072	(16,787)	-	-	-	2,420,285
Municipal courts	3,261,268	(29,830)	94,204	-	-	3,325,642
Development services	15,815,204	116,420	876,605	-	-	16,808,229
Economic development	2,445,475	3,771	36,528	-	-	2,485,774
Financial services	4,747,540	(64,355)	222,972	-	-	4,906,157
Human resources	4,049,591	6,696	2,485	-	-	4,058,772
Information technology	600,852	37,648	1,038,660	(872,409)	-	804,751
Non-departmental	1,412,665	-	6,968,046	(684,876)	(101,110)	7,594,725



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Expenditures/expenses (Continued)

Debt Service:						
Principal retirement	10,884,500	-	-	(10,884,500)	-	-
Interest and fiscal fees	6,460,321	-	-	127,849	-	6,588,170
Capital outlay	36,318,048	-	(36,318,048)	-	-	-
Total expenditures	<u>213,140,324</u>	<u>1,605,110</u>	<u>(9,060,447)</u>	<u>(12,486,750)</u>	<u>(101,110)</u>	<u>193,097,127</u>

Other financing sources (uses)/changes in net assets

Operating transfers, net	(68,770)	-	-	-	-	(68,770)
Issuance of debt	8,000,000	-	-	(8,000,000)	-	-
Capital lease proceeds	686,109	-	-	(686,109)	-	-
Proceeds of refunding bonds	5,970,000	-	-	(5,970,000)	-	-
Payment to refunded bond Escrow agent	(5,948,430)	-	-	5,948,430	-	-
Total other financing sources (uses)/changes in net assets	<u>8,638,909</u>	<u>-</u>	<u>-</u>	<u>(8,707,679)</u>	<u>-</u>	<u>(68,770)</u>
Net change for the year	<u>\$ 3,092,756</u>	<u>\$ (1,324,121)</u>	<u>\$ 9,060,447</u>	<u>\$ 3,779,071</u>	<u>\$ 101,110</u>	<u>\$14,709,263</u>

- (3) Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. The revenue is however recognized in the government-wide statements. At the time that the revenue is received, it is recorded in the governmental funds and reversed from the government-wide statements.

Property tax	\$ 469,315
Court revenue	1,434,809
Special assessments received	(1,623,135)
	<u>\$ 280,989</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual for compensated absences and long-term claims and judgements	<u>\$ 1,605,110</u>
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- (4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

Capital expenditures	\$ 35,114,117
Depreciation expenses	(26,053,670)
Difference	<u>\$ 9,060,447</u>



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

- (5) Capital Lease Payments are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because the current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to the lessor. Conversely, capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, entering into capital leases increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

Principal payments made	\$ 1,427,353
Capital lease agreements	(686,109)
Difference	<u>\$ 741,244</u>

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs	\$ 22,209
Amortization of bond issuance costs	(150,058)
Difference	<u>\$ (127,849)</u>

Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	\$ 11,187,246
Payment made to refunding agent	5,948,430
	<u>\$ 17,135,676</u>

Issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from:

General obligation bonds	\$ 8,000,000
Refunding general obligation bonds	5,970,000
	<u>\$ 13,970,000</u>

- (6) Internal service funds are used by management to charge the costs of self-insurance to individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

\$ 101,110



NOTE 3 - BUDGET BASIS OF ACCOUNTING

Arizona state statutes require accounting for certain transactions to be on a basis other than GAAP. The actual results of operations, in accordance with state statutes ("budget basis") are presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General Fund and Transit Special Revenue Fund (major funds) to provide a meaningful comparison of actual results with the budget. Budgetary statements include a reconciliation of the adjustments required to convert the budgetary basis to GAAP basis.

The major differences between the budget and GAAP bases are:

- 1) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).
- 2) Certain revenues and expenditures not recognized in the budgetary year are accrued (GAAP).

NOTE 4 - PROPERTY TAXES

Under Arizona law a two-tiered tax system exists: (1) a primary system for taxes levied to pay for current operation and maintenance expenses, and (2) a secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of the maximum permissible bonded indebtedness.

Specific provisions are made under each system for determining full cash values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the full cash value of locally assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% only under certain circumstances. Under the secondary system, there is no limitation on annual increases in full cash value of any property. Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.

The City's property tax is levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Maricopa County Assessor. Levies are due and payable in two installments on October 1 and March 1, and become delinquent on November 1 and May 1, respectively. Delinquent amounts bear interest at the rate of 16%. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes.

Public auctions of properties which have delinquent real estate taxes are held in February following the May 1 date upon which the second installment becomes delinquent. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase which has not been redeemed may demand of the County Treasurer a County Treasurer's Deed. Additionally, a lien against property assessed attaches on the first day of January preceding the assessment and levy thereof.

Property taxes are recognized as revenue on the modified accrual basis, i.e., when both measurable and available. Property taxes levied in August 2002 are not available for the current year; accordingly, such taxes will not be recognized as revenue until the subsequent fiscal year. Prior year levies were recorded using these same principles, and remaining receivables from such levies are also recognized as revenue, when available.

NOTE 5 - CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Assets and on the Balance Sheet as "Pooled cash and investments." Pooled cash and investments are stated at fair value, with accrued interest shown under "Accrued interest receivable". The change in fair value of the investments is recorded in investment income. Restricted cash and investments are amounts held separately by trustees and segregated due to their source and future intent. Amounts held by trustees are invested in money market securities, maturing within one year from the time of purchase, and are reported at amortized cost.



NOTE 5 - CASH AND INVESTMENTS (Continued)

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was \$4,363,927 and the bank balance was \$8,633,218. Of the bank balance, \$200,000 was covered by federal depository insurance (Category 1) and \$8,433,218 was covered by collateral held in the pledging bank's trust department in the City's name (Category 2).

Investments

City Charter, Ordinance, and Trust Agreements authorize the City to invest in U.S. government, federal agency, and instrumentality obligations. In addition, the City may invest in certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements, and the State of Arizona's Local Government Investment Pool.

The City's investment in the State of Arizona Local Government Investment Pool (LGIP) is stated at fair value, which approximates the value of the City's pool shares. The LGIP is operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes, §35-312 and §35-313, regulate authorized investments. The State Treasurer's office is under the control of the Arizona State Legislature.

The City's investments at June 30, 2002, stated at fair value, are categorized below to give an indication of the level of risk assumed by the City. Category 1 includes investments that are insured or registered or for which the securities are held or registered by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's trust department in the City's name. Category 3 includes uninsured and unregistered investments for which the securities custodian is the counterparty.

	Category 1	Category 2	Category 3	Carrying Amount
U.S. Government Securities	\$114,518,775	\$69,213,983	-	\$183,732,758
Repurchase Agreements	-	14,272,238	-	14,272,238
	<u>\$114,518,775</u>	<u>\$83,486,221</u>	<u>-</u>	<u>198,004,996</u>
Investments in State of Arizona Local Government Investment Pool				78,818,489
Investments in Money Market Funds				23,070,250
Total Investments				<u>\$299,893,735</u>

Reconciliation of pooled cash and investments as reported on the Government-wide Statement of Net Assets

Carrying Amount of Investments	\$299,893,735
Carrying Amount of Cash Deposits	4,363,927
Total Pooled Cash and Investments	<u>\$304,257,662</u>
Pooled Cash and Investments – unrestricted	\$265,169,247
Restricted Cash and Investments	39,088,415
Total Pooled Cash and Investments	<u>\$304,257,662</u>



NOTE 6 - DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS

Due to/from other funds consisted of the following at June 30, 2002:

	Due to	Due from
General Fund	\$ -	\$810,103
Other Governmental Funds	810,103	-
	<u>\$810,103</u>	<u>\$810,103</u>

The interfund balances at June 30, 2002 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2002 are expected to be repaid within one year.

		Transfers Out						
	General	Transit	General	Nonmajor	Water and	Refuse	Golf	Total
		Special	Obligation	Govern-	Wastewater			
Transfers In		Revenue		mental				
General	-	-	-	\$7,893,566	\$3,301,734	\$15,699	-	\$11,210,999
Transit special revenue	-	-	-	300,138	-	-	-	300,138
General obligation	261,250	-	-	5,527,000	-	-	-	5,788,250
Performing arts	4,500,000	-	-	10,500	-	-	-	4,510,500
Transit capital projects	-	1,022,800	-	-	-	-	-	1,022,800
Nonmajor governmental	21,846,102	245,400	767,450	8,541,892	198,488	-	378,970	31,978,302
Water and wastewater	268,003	-	3,300,000	356,175	-	-	-	3,924,178
Golf	38,372	-	-	1,111	-	-	-	39,483
Total	<u>\$26,913,727</u>	<u>\$1,268,200</u>	<u>\$4,067,450</u>	<u>\$22,630,382</u>	<u>\$3,500,222</u>	<u>\$15,699</u>	<u>\$378,970</u>	<u>\$58,774,650</u>

The interfund transfers generally fall within one of the following categories: 1) pay-as-you-go financing transfers into capital project funds; 2) transfers to cover debt service payments; or 3) transfers to cover operating expenditures in accordance with City policy. There were no significant transfers during fiscal year 2002 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

NOTE 7 - CAPITAL IMPROVEMENT NOTES RECEIVABLE

Capital improvement notes receivable represent loans to provide long-term financing for certain major capital improvement projects. Repayment of the receivable to the Water and Wastewater Fund will be made from the General and Highway User Special Revenue funds. Repayment of the receivable to the General Fund will be made from the Refuse Fund and the Tempe Convention and Visitors Bureau.

At June 30, 2002, capital improvement notes receivable totaled \$3,980,206 in the Water and Wastewater Fund and \$172,570 in the General Fund. The notes bear interest at 7.50% and 6.25%, respectively (see Note 10).

NOTE 8 - JOINT VENTURE

The City participates with the cities of Phoenix, Mesa, Scottsdale, and Glendale in an intergovernmental agreement for the construction, operation and maintenance of jointly used facilities including the 91st Avenue Wastewater Treatment Plant, the Salt River Project Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities. The City of Phoenix is the management agency who has agreed to be responsible for the planning, designing, constructing, operating and maintaining of the jointly used sewerage facilities and to perform the required accounting, administrative and other support functions.



NOTE 8 - JOINT VENTURE (Continued)

The agreement provides for the formation of a Multicity Subregional Operating Group Committee ("Multicity SROG"), whose members are composed of a representative officially appointed upon motion and order of each city, for the specific purpose of making recommendations concerning specific decisions or courses of action for the jointly used facilities. The Multicity SROG annually reviews and approves the capital improvements and replacements budget and also the operating budget for the jointly used facilities.

The City has a 15% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, development fees and grants. The bonds are collateralized by a pledge of water revenues and are recorded in the Water and Wastewater Enterprise Fund. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2001 (the latest information available) is as follows (in thousands):

Total assets	<u>\$ 397,967</u>
Total liabilities	<u>\$ 25,698</u>
Retained earnings	<u>372,269</u>
Total liabilities and retained earnings	<u>\$ 397,967</u>
Total revenues	<u>\$ 82,836</u>
Total expenses	<u>(35,017)</u>
Net increase in retained earnings	<u>\$ 47,819</u>

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture at June 30, 2002, was \$68,447,022. Separately audited financial statements for the jointly used wastewater treatment and transportation facilities may be obtained from the Arizona Municipal Water Users Associations, 4041 North Central, Suite 900, Phoenix, Arizona, 85012.

NOTE 9 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2002 is as follows:

	Balances June 30, 2001	Additions	Retirements	Transfers in (out)	Balances June 30, 2002
Governmental activities:					
Non-depreciable assets:					
Land	\$24,599,459	\$ 249,208	-	\$ 4,019,446	\$28,868,113
Construction-in-progress	46,539,697	36,318,048	-	(64,420,183)	18,437,562
Total non-depreciable assets	71,139,156	36,567,256	-	(60,400,737)	47,305,675
Depreciable assets:					
Buildings	83,628,413	-	-	20,753,616	104,382,029
Infrastructure	568,408,681	-	-	10,530,281	578,938,962
Improvements	35,145,059	-	-	11,102,993	46,248,052
Machinery and equipment	74,267,190	2,195,221	(725,524)	8,890,774	84,627,661
Total depreciable assets	761,449,343	2,195,221	(725,524)	51,277,664	814,196,704



NOTE 9 - CAPITAL ASSETS (Continued)

Governmental activities (Continued):

Accumulated depreciation:

Buildings	(17,454,870)	(2,241,950)	-	-	(19,696,820)
Infrastructure	(170,893,827)	(13,212,989)	-	-	(184,106,816)
Improvements	(12,764,327)	(1,427,064)	-	-	(14,191,391)
Machinery and equipment	(41,057,880)	(9,171,667)	725,524	(11,890)	(49,515,913)
Total accumulated depreciation	(242,170,904)	(26,053,670)	725,524	(11,890)	(267,510,940)

Governmental activities capital
assets, net

\$590,417,595	\$12,708,807	-	\$(9,134,963)	\$593,991,439
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Balances June 30, 2001	Additions	Retirements	Transfers in (out)	Balances June 30, 2002
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Business-type activities:

Non-depreciable assets:

Land	\$10,484,737	\$ 1,480,777	\$(2,029,782)	-	\$9,935,732
Construction-in-progress	13,857,186	24,935,952	-	(34,609,524)	4,183,614
Total non-depreciable assets	24,341,923	26,416,729	(2,029,782)	(34,609,524)	14,119,346

Depreciable assets:

Buildings	49,080,864	-	-	-	49,080,864
Infrastructure	158,382,350	7,875,793	-	-	166,258,143
Improvements	65,838,358	13,108,216	(451,184)	-	78,495,390
Machinery and equipment	34,139,621	4,405,517	(219,933)	(11,890)	38,313,315
Total depreciable assets	307,441,193	25,389,526	(671,117)	(11,890)	332,147,712

Accumulated depreciation:

Buildings	(11,058,551)	(1,095,230)	-	-	(12,153,781)
Infrastructure	(75,398,083)	(3,557,780)	-	-	(78,955,863)
Improvements	(33,609,639)	(2,540,077)	-	-	(36,149,716)
Machinery and equipment	(24,891,957)	(2,229,886)	194,273	11,890	(26,915,680)
Total accumulated depreciation	(144,958,230)	(9,422,973)	194,273	11,890	(154,175,040)

Business-type activities capital
assets, net

\$186,824,886	\$42,383,282	\$(2,506,626)	\$(34,609,524)	\$192,092,018
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Depreciation expense was charged to the governmental functions in the government-wide financial statements as follows:

Police	\$ 718,078
Fire	498,261
Community services	663,927
Public works	15,516,856
Community relations	17,089
City manager	6,379
City clerk and elections	1,211
Municipal courts	94,204
Development services	247,722
Economic development	14,966
Financial services	25,028
Human resources	2,485
Information technology	1,279,418
Non-departmental	6,968,046
Total depreciation expense	<u>\$ 26,053,670</u>



NOTE 10 - LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued for proprietary activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2002, were as follows:

\$48,425,000 1992A Capital Improvement Refunding Issue Serial Bonds in annual installments of \$275,000 to \$9,505,000 through July 1, 2003; interest at 3.5% to 6.0%	\$ 3,805,000
\$17,305,000 1993A Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$80,000 to \$5,035,000 through July 1, 2011; interest at 2.6% to 5.4%	15,845,000
\$14,000,000 1994 Capital Improvement Serial Bonds due in annual installments of \$280,000 to \$1,120,000 beginning July 1, 1995 through July 1, 2015; interest at 5.25% to 7.25%	3,190,000
\$26,300,000 1995 Capital Improvement Serial Bonds due in annual installments of \$800,000 to \$2,130,000 beginning July 1, 1997 through July 1, 2015; interest at 4.50% to 6.50%	20,630,000
\$14,500,000 1997 Capital Improvement Serial Bonds due in annual installments of \$300,000 to \$1,150,000 beginning July 1, 1998 through July 1, 2017; interest at 5.125% to 6.625%	12,225,000
\$12,755,000 1998 Capital Improvements Refunding Issue Serial Bonds due in annual installments of \$90,000 to \$2,450,000 beginning July 1, 2002 through July 1, 2010; interest at 4.25% to 4.90%	10,305,000
\$37,500,000 1998A Capital Improvement Serial Bonds due in annual installments of \$1,210,000 to \$2,755,000 beginning July 1, 1999 through July 1, 2018; interest at 4.00% to 5.50%	31,840,000
\$24,000,000 2001A Capital Improvement Serial Bonds due in annual installments of \$650,000 to \$1,630,000 beginning July 1, 2002 through July 1, 2021; interest at 4.50% to 6.00%	23,350,000
\$11,045,000 2002 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$1,145,000 through July 1, 2015; interest at 2.25% to 5.00%	10,940,000
\$22,000,000 2002A Capital Improvement Serial Bonds due in annual installments of \$690,000 to \$1,650,000 through July 1, 2022; interest at 3.5% to 5.0%	22,000,000
Total general obligation bonds outstanding (excluding current portion of Enterprise Fund general obligation bonds outstanding)	<u>\$ 154,130,000</u>

Special Assessment Bonds Payable with Governmental Commitment. As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2002, the special assessments receivable of \$20,162,570, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest. The City expects to collect assessments sufficient to cover the remaining \$87,430 beginning next fiscal year.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. Special assessment bonds payable with governmental commitment outstanding at June 30, 2002, were as follows:

\$29,405,000 Special Assessment Bonds Payable with Governmental Commitment issued May 1, 1985 through April 6, 1999; maturing through January 1, 2015; due in annual installments of \$5,000 to \$1,655,000; interest at 4.700% to 10.125%	<u>\$20,250,000</u>
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NOTE 10 - LONG-TERM DEBT (Continued)

Tempe Municipal Property Corporation Bonds. In 1992, the Corporation issued \$1,400,000 of excise tax revenue bonds. Proceeds were used to renovate and replace the irrigation system at the City's Ken McDonald Municipal Golf Course and pay costs incurred to issue the bonds.

The City has entered into contracts with the Corporation whereby the City will pay the Corporation amounts sufficient to retire the above Corporation bonds and related interest. The City has collateralized all the bonds of the Corporation by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

Tempe Municipal Property Corporation Bonds (TMPC) outstanding at June 30, 2002, are as follows:

\$1,400,000 1992 Excise Tax Revenue Bonds due in annual installments of \$70,000 to \$140,000 through July 1, 2007; interest rate at 5.5% to 7.1%; retirements are to a sinking fund account	<u>\$ 630,000</u>
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Refunding Certificates of Participation. On June 1, 1999, the City issued \$5,110,000 of Refunding Certificates of Participation (COP). The proceeds were used to refund \$4,775,000 of the 1989 Tempe Sports Authority Facilities Bonds (TSAF), and pay costs incurred to issue the certificates. The City has collateralized the obligations by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

\$5,110,000 1999 Refunding Certificates of Participation due in annual installments of \$400,000 to \$625,000 through July 1, 2009; interest at 4.20% to 4.90%	<u>\$ 3,810,000</u>
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Tempe Variable Rate Demand Excise Tax Revenue Bonds. On February 12, 1998, the City entered into a purchase agreement with First Trust of Arizona, N.A. to pay costs associated with the construction/acquisition of portions of the City's Rio Salado Project and the acquisition of buses for use in connection with the City's transit system. These costs were financed through the issuance of \$47,100,000 of variable rate demand excise tax revenue obligations (Obligations). The Obligations are remarketed by Dain Rauscher, Inc., serving as the remarketing agent, at an interest rate which would cause the Obligations to have a market value, on the commencement date of such rate period, equal to the principal amount plus accrued interest, but not to exceed 12%.

During the fiscal year ended June 30, 2002, the interest rate on these Obligations was reset on a daily basis and interest paid monthly. The City has the option of converting from the daily rate to either a weekly rate or a term rate, including a term rate period through the final maturity of the Obligations. In the event that the Obligations are converted to a term rate (other than daily or weekly), the Obligations are subject to mandatory tender for purchase.

The City has entered into a standby obligation purchase agreement with State Street Bank and Trust Company and U.S. Bank Trust, N.A. (acting as trustee and paying agent). The stated expiration date of the standby obligation purchase agreement is February 28, 2003, with extension request options available to the City thereafter. State Street Bank is providing liquidity and is obligated to purchase the Obligations that are tendered for purchase and not remarketed. The semi-annual fee paid to State Street Bank for this liquidity support is an annualized rate of .095% of the average daily available commitment for principal and interest. As of June 30, 2002, there were no draws outstanding or bonds presented for debt service payments under this standby obligation.



NOTE 10 - LONG-TERM DEBT (Continued)

Tempe Variable Rate Demand Excise Tax Revenue Bonds. (Continued)

If the standby obligation purchase agreement were to be exercised and all outstanding obligations were purchased by State Street Bank because they could not be remarketed, the maximum repayment liability would be \$42,930,000.

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2002 was 1.76%. The repayment of these bonds, assuming the current interest rate of 1.76% through final maturity, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$ 1,200,000	\$ 712,800	\$1,912,800
2004	1,300,000	691,680	1,991,680
2005	1,400,000	668,800	2,068,800
2006	1,400,000	644,160	2,044,160
2007	1,500,000	619,520	2,119,520
2008-2012	8,300,000	2,685,760	10,985,760
2013-2017	10,100,000	1,893,760	11,993,760
2018-2022	12,500,000	924,000	13,424,000
2023	2,800,000	49,280	2,849,280
	<u>\$40,500,000</u>	<u>\$8,889,760</u>	<u>\$49,389,760</u>

The City has collateralized the bonds by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in each fiscal year.

Capital Improvement Notes. Capital improvement notes represent borrowings to provide long-term financing for certain major capital improvement program projects (see Note 7).

Capital improvement notes outstanding at June 30, 2002 were as follows:

\$11,440,000 capital improvement notes issued in 1990 due to the Water and Wastewater Enterprise Fund from the General Fund and Highway Users Special Revenue Fund and payable in equal annual installments through January 1, 2011; interest at 7.50%	\$ 3,980,206
\$1,000,000 capital improvement notes issued in 1993 due to the General Fund from the Refuse Enterprise Fund and payable in equal annual installments through January 1, 2003; interest at 6.25%	129,393
\$17,310,000 2000A capital improvement excise tax obligations due in semi-annual payments from January 1, 2001, through July 1, 2002, and then annual payments from July 1, 2003, through July 1, 2016. A final payment is then due on July 1, 2020. Payments range from \$245,000 to \$2,880,000; interest at 4.825% to 5.625%.	6,880,000
Total capital improvement notes outstanding (excluding current portion of Enterprise Fund capital improvement notes outstanding)	<u>\$10,989,599</u>



NOTE 10 - LONG-TERM DEBT (Continued)

Capital Improvement Notes. (Continued)

The City has collateralized the 2000A capital improvement excise tax obligations by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

The following is a summary of debt service cash requirements to maturity:

Fiscal Year	General Fund and HURF to Water/Wastewater Fund	Refuse Fund to General Fund	2002A Excise Tax Obligations	Total
2003	\$ 623,967	\$ 137,482	\$ 609,270	\$ 1,370,719
2004	623,967	-	607,326	1,231,293
2005	623,967	-	604,895	1,228,862
2006	623,967	-	606,910	1,230,877
2007	623,967	-	608,050	1,232,017
2008-2012	2,495,864	-	3,036,025	5,531,889
2013-2017	-	-	3,026,815	3,026,815
2018-2020	-	-	2,112,313	2,112,313
	<u>\$5,615,699</u>	<u>\$ 137,482</u>	<u>\$ 11,211,604</u>	<u>\$16,964,785</u>

The following discloses debt service requirements as of June 30, 2002 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year	Principal	Interest	Total
2003	\$ 699,845	\$ 670,872	\$ 1,370,717
2004	604,860	626,433	1,231,293
2005	641,100	587,762	1,228,862
2006	684,307	546,570	1,230,877
2007	729,630	502,387	1,232,017
2008-2012	3,799,857	1,732,034	5,531,891
2013-2017	2,195,000	831,815	3,026,815
2018-2020	1,635,000	477,313	2,112,313
	<u>\$10,989,599</u>	<u>\$5,975,186</u>	<u>\$16,964,785</u>

Capital Leases. The City has entered into capital lease agreements for land, buildings, and computer equipment. These lease agreements generally require annual payments and the lease term varies from 3 years to 20 years. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the date of inception.

The assets acquired through capital leases are as follows:

	Amount
Land	\$ 6,435,562
Buildings	1,200,748
Equipment	2,375,972
Total	<u>\$10,012,282</u>



NOTE 10 - LONG-TERM DEBT (Continued)

Capital Leases. (Continued)

The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments as of June 30, 2002.

	Fiscal Years Ending June 30,	Total
	2003	\$ 1,567,852
	2004	1,157,371
	2005	812,750
	2006	812,750
	2007	812,750
	2008-2012	4,063,750
	2013-2017	4,063,750
Total minimum lease payments		13,290,973
Less: interest at 0.00 % to 8.50%		(5,429,887)
Present value of future minimum lease payments		<u>\$ 7,861,086</u>

Statutory Debt Limitation. In the absence of more restrictive bond authorization ballot limitations, the City is subject to state statutory limitations on the amount of net bonded debt (exclusive of revenue and special assessment bonds and purchase contracts) it may have outstanding. The statutory debt limitation is 20 percent of the secondary assessed valuation for purposes of water, sewer, open space and artificial lighting and 6 percent of the secondary assessed valuation for all other purposes.

At June 30, 2002, the 20 percent debt limitation was \$113,225,000 providing a debt margin of \$178,047,323 and the 6 percent debt limitation was \$52,315,000 providing a debt margin of \$35,066,697. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2002, was \$169,390,000.

Bond Covenants. The various bond indentures contain certain limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such significant limitations and restrictions as of June 30, 2002.

Arbitrage. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and revenue bond issue subject to the arbitrage rebate requirements and has reserved \$500,000 in the General Fund.

Debt Service Requirements to Maturity. The following is a summary of debt service cash requirements to maturity for all fixed rate general obligation bonds, special assessment bonds, Tempe Municipal Property Corporation bonds and Certificates of Participation:



NOTE 10 - LONG-TERM DEBT (Continued)

Debt Service Requirements to Maturity. (Continued)

Fiscal Years Ending June 30,	General Obligation Proprietary Funds	General Obligation Governmental Funds	Special Assessment	Tempe Municipal Property Corporation	Certificate of Participation	Total
2003	\$ 9,927,398	\$ 8,610,707	\$ 2,861,902	\$ 145,780	\$ 651,365	\$ 22,197,152
2004	9,453,895	9,067,786	2,821,904	149,675	650,940	22,144,200
2005	7,386,312	7,560,287	2,704,827	148,015	654,160	18,453,601
2006	7,331,028	7,603,309	2,665,507	150,953	650,760	18,401,557
2007	6,902,276	7,166,281	2,621,712	148,190	645,785	17,484,244
2008-2012	34,575,060	34,508,816	10,796,328	-	1,309,810	81,190,014
2013-2017	24,614,225	23,792,719	2,191,547	-	-	50,598,491
2018-2022	11,382,344	7,935,019	-	-	-	19,317,363
Less interest	(32,977,538)	(30,709,924)	(6,413,727)	(112,613)	(752,820)	(70,966,622)
	<u>\$78,595,000</u>	<u>\$75,535,000</u>	<u>\$20,250,000</u>	<u>\$ 630,000</u>	<u>\$3,810,000</u>	<u>\$178,820,000</u>

The following discloses the debt service requirements as of June 30, 2002 segregating principal and interest, for the next five years and in five-year increments thereafter:

Fiscal Years Ending June 30,	Principal	Interest	Total
2003	\$ 13,290,000	\$ 8,907,152	\$ 22,197,152
2004	13,955,000	8,189,200	22,144,200
2005	11,005,000	7,448,601	18,453,601
2006	11,540,000	6,861,557	18,401,557
2007	11,250,000	6,234,244	17,484,244
2008-2012	59,110,000	22,080,014	81,190,014
2013-2017	41,380,000	9,218,491	50,598,491
2018-2022	17,290,000	2,027,363	19,317,363
Total	<u>\$178,820,000</u>	<u>\$70,966,622</u>	<u>\$249,786,622</u>

Changes in Long-term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2002:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt Payable:					
General obligation bonds payable	\$ 72,105,000	\$13,970,000	\$(10,540,000)	\$75,535,000	\$ 4,895,000
Special Assessments	21,925,000	-	(1,675,000)	20,250,000	1,730,000
Certificate of Participation	4,270,000	-	(460,000)	3,810,000	475,000
Variable Rate Demand Excise	40,500,000	-	-	40,500,000	1,200,000
Capital Improvement Notes Payable	15,032,452	-	(4,172,246)	10,860,206	570,451
Total Debt Payable	153,832,452	13,970,000	(16,847,246)	150,955,206	8,870,451



NOTE 10 - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities. (Continued)

Governmental activities: (Continued)

Capital leases	8,602,330	686,109	(1,427,353)	7,861,086	942,485
Compensated absences	3,605,330	7,098,722	-	10,704,052	-
Claims and judgements	1,492,168	1,563,922	-	3,056,090	632,732
Governmental activities long-term liabilities	<u>\$ 167,532,280</u>	<u>\$23,318,753</u>	<u>\$(18,274,599)</u>	<u>\$172,576,434</u>	<u>\$10,445,668</u>

Business-type activities:

General obligation bonds payable	\$ 70,860,000	\$19,075,000	\$(11,340,000)	\$ 78,595,000	\$ 6,080,000
TMPC bonds	735,000	-	(105,000)	630,000	110,000
Capital Improvement Notes Payable	2,863,676	-	(2,734,283)	129,393	129,393
Business-type activities long-term liabilities	<u>\$ 74,458,676</u>	<u>\$19,075,000</u>	<u>\$(14,179,283)</u>	<u>\$ 79,354,393</u>	<u>\$ 6,319,393</u>

The government-wide statement of net assets includes activities includes \$7,960,000 of the long-term liabilities due within one year for business-type activities in "liabilities payable from restricted assets". In addition, for the governmental activities, claims and judgements and compensated absences are generally liquidated by the General Fund.

NOTE 11 - BONDS TO BE PAID FROM ASSETS HELD IN TRUST

Advance Bond Refundings

Future debt service on refunded bonds has been provided through advance refunding bond issues. Under an advance refunding arrangement, refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued or guaranteed by the United States government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

On April 1, 2002, the City issued \$11,045,000 of general obligation refunding bonds with a premium of \$148,379 to refund \$10,470,000 of outstanding general obligation bonds. The bonds were issued with an average interest rate of 4.36%. The net proceeds of \$11,006,929, after payment of \$186,450 issuance costs, were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's General Obligation Debt Service and Water/Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$235,226, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$214,580.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2002, are as follows:

\$15,000,000 general obligation bonds issued in 1991 and refunded in 1994	\$ 9,610,000
\$15,000,000 general obligation bonds issued in 1991 and partially refunded in 1998	745,000
\$10,250,000 general obligation bonds issued in 1992 and partially refunded in 1998	1,670,000
\$17,500,000 general obligation bonds issued in 1992 and partially refunded in 1998	9,620,000
\$17,500,000 general obligation bonds issued in 1992 and partially refunded in 2002.	3,070,000
\$14,000,000 general obligation bonds issued in 1994 and partially refunded in 2002.	7,400,000
Total bonds advance refunded	<u>\$32,115,000</u>



NOTE 12 - COMMITMENTS

In the Governmental fund financial statements, construction commitments are disclosed as reserves for encumbrances.

At June 30, 2002 the City's construction commitments are as follows:

	Construction in Progress	Commitment
Governmental funds:		
Performing Arts	\$ 2,418,729	\$ 1,073,270
Transit	7,313,791	8,688,291
Streets	13,805	3,502,750
Police	376,483	453,858
Fire	519,557	2,568,822
Storm Sewers	55,040	179,053
Parks	1,254,046	619,186
Rio Salado	295,309	316,346
Community Development	6,190,802	1,857,887
Bikeways	-	675
Signals	-	337,326
	<u>\$18,437,562</u>	<u>\$ 19,597,464</u>
Proprietary funds:		
Water and Wastewater	\$ 4,075,995	\$ 3,165,870
Golf	107,619	54,363
	<u>\$ 4,183,614</u>	<u>\$ 3,220,233</u>

NOTE 13 - OPERATING LEASES

The City leases copiers under certain noncancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Assets. Current year lease costs for the fiscal year ended June 30, 2002 was \$358,407.

The following is a schedule by year of future minimum lease payments:

Years Ending June 30,	Amount
2003	\$ 326,859
2004	204,785
2005	116,060
2006	35,407
2007	4,917
Total minimum payments required	<u>\$ 688,028</u>



NOTE 14 - RETIREMENT AND PENSION PLANS

The City contributes to four separate defined benefit pension plans for the benefit of all full-time employees and elected officials. The Arizona Public Safety Personnel Retirement System administers separate agent multiple-employer retirement plans for all full-time police and fire personnel. The Arizona Public Safety Personnel Retirement System also acts as fund administrator for the Elected Officials Retirement Plan, a multiple-employer cost-sharing plan for elected officials of the City. The Arizona State Retirement System administers a multiple-employer cost-sharing plan for all other full-time employees. The City has met all required payment dates for these plans.

Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees)

A. Plan Description

The City contributes to the Arizona Public Safety Personnel Retirement System ("PSPRS"), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various fire and police agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 Local Boards and was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes (A.R.S.). The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Arizona Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 1-602-255-5575.

B. Funding Policy

PSPRS members are required to contribute 7.65% for fire (3% of which is paid for by the City based on a labor agreement) and 7.65% for police of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for fiscal year 2001-02 was 2% for fire personnel and 8.54% for police members. Benefit and contribution provisions are established by law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

C. Annual Pension Cost

Police personnel contributed \$1,508,484 and fire personnel \$397,003 during fiscal year 2001-02. For 2002, the City's annual pension cost of \$1,683,981 for police and \$426,838 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation determining contribution requirements for fiscal year 2001/2002, using the entry age actuarial cost method. The actuarial assumptions included (a) 9% investment rate of return (b) projected salary increases of 6.50% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 0.00% to 3.00% per year, depending on age, attributable to seniority/merit. The actuarial value of the PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2001 was 20 years.



NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

D. Three Year Trend Information for PSPRS (Latest Available Information):

Police

Fiscal Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
1999	\$975,885	100%	-
2000	1,115,495	100	-
2001	1,754,395	100	-

Fire

Fiscal Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
1999	\$314,684	100%	-
2000	327,507	100	-
2001	23,410	100	-

E. Required Supplementary Information (Unaudited)

Schedule of Funding Progress (Latest Information Available):

Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
1999	\$62,764,558	\$61,206,221	102.5%	\$(1,558,337)	\$16,658,167	N/A
2000	72,879,843	67,802,125	107.5	(5,077,718)	17,446,020	N/A
2001	80,721,051	70,096,118	115.2	(10,624,933)	17,908,908	N/A

Fire

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
1999	\$54,999,099	\$41,989,922	131.0%	\$(13,009,177)	\$8,195,445	N/A
2000	62,805,409	46,999,401	133.6	(15,806,008)	8,597,893	N/A
2001	68,227,165	50,865,552	134.1	(17,361,613)	8,930,332	N/A

Arizona State Retirement System (All Other Full-time Employees)

A. Plan Description

The City has elected to participate in the Arizona State Retirement System (ASRS or The System), a multiple-employer cost-sharing retirement plan, which provides retirement benefits for all full-time employees, except police and fire employees. The plan provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Arizona State Retirement System, 3300 North Central Avenue, Suite 1300, Phoenix, Arizona, 85012 or by calling 1-602-240-2000.



NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Arizona State Retirement System (All Other Full-time Employees) (Continued)

B. Funding Policy

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change the contribution rate from that actuarially determined.

Covered employees contributed 2% of their annual compensation to the plan, as actuarially determined and set by State statute and the City contributed an amount equal to employee contributions each pay period. The City's contributions to the ASRS for the years ended June 30, 2002, 2001, and 2000 were \$1,271,195, \$1,197,155, and \$1,088,696 respectively, equal to the required contributions for each year.

Elected Officials Retirement Plan (Mayor and City Council)

A. Plan Description

The City's Mayor and Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing pension plan. The Fund Manager of the Arizona Public Safety Personnel Retirement System ("PSPRS") is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. The authority to amend Title 38, Chapter 5, Article 3 is reserved for the State Legislature. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona, 85014 or by calling 1-602-255-5575.

B. Funding Policy

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7% of their annual covered salary. The employer rate for 2001-02 was 6.97%. The City's contributions to EORP for the fiscal years ended June 30, 2002, 2001 and 1999 were \$9,465, \$12,816, and \$12,483, respectively, equal to the required contributions for each year. The City's employees contributed \$9,506, \$8,778, and \$8,551 for the same time period.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, the City offers the continuation of group health insurance benefits, in accordance with Resolution 90.63 of the City Council, to all retired employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Currently, 401 retirees meet those eligibility requirements.

The City offers three health plans to its retirees; Tempe Basic and Tempe Preferred Provider Organization (PPO), which are the City's self-insurance plans, and the CIGNA Health Maintenance Organization (HMO) plan. The benefits provided by the group health insurance plans are the same as those offered to active employees.



NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City and the pension administrators subsidize the health insurance premium of eligible retirees depending on type of health plan chosen coverage selected, and years of service. Approximately 69% of retiree premiums were subsidized by the City during the fiscal year. The City's accounting policy with regard to expenditure recognition of these health insurance benefits is to record the benefits when they are paid. During the fiscal year, expenditures of \$1,498,595 were recognized for post retirement health care.

NOTE 16 - DEFERRED COMPENSATION PLANS

The City offers its employees two compensation plans created in accordance with Internal Revenue Code, Section 457 and 401(K). The plans, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City's fiduciary responsibility is that of exercising "due care" in selecting a third-party administrator.

Federal legislation requires that Section 457 plan assets be held in trust for employees. This change, means that employee assets held in Section 457 plans are no longer the property of the City and subject to claims of the City's general creditors. Therefore, the Deferred Compensation Agency assets are not included in the City's basic financial statements.

NOTE 17 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS

Reservations of Fund Balances

At June 30, 2002, amounts were reserved on the fund financial statements for the following purposes: encumbrances - represent purchase obligations outstanding at the end of the fiscal year; debt service - for payment of future amounts of principal and interest due; inventories - the value of materials and supplies needed to maintain adequate levels of operating supplies; notes receivable - represents notes receivable for capital improvement projects.

Designations of Fund Balances

At June 30, 2002, amounts were designated for the following purposes: self-insurance - amount designated for payment of material, unanticipated claims against the City; rainy day - amounts designated for unforeseen events; capital projects - amount designated for future capital projects; Rio Salado - amount designated for the Rio Salado project; commercial enhancement - fulfills development agreement commitment within the Community Facilities District; compensated absences - amount designated for future payment of compensated absences; arbitrage rebate - amount designated for future arbitrage rebate; powerline undergrounding - amounts designated for potential future payment to Arizona Public Service.

	Amount
General Fund:	
Self-insurance purposes	\$ 9,620,607
Rainy day	8,000,000
Capital projects	2,500,000
Rio Salado	7,960,822
Commercial enhancement	2,147,408
Compensated absences	7,239,081
Arbitrage rebate	500,000
Powerline undergrounding	2,155,423
Total Governmental Funds	<u>\$ 40,123,341</u>



NOTE 17 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS (Continued)

Designations of Fund Balances (Continued)

Water and Wastewater Fund:	
Capital projects	\$ 11,859,943
Golf Course Fund:	
Capital Projects	528,402
Total Business Type Activities	<u>\$ 12,388,345</u>

NOTE 18 - RISK FINANCING ACTIVITIES

The City is exposed to risks arising from general liability, automobile liability (physical damage and bodily injury), property liability, workers compensation, and employee health claims.

The City has established a Risk Management Fund (internal service fund) to account for and finance its uninsured risks of loss. Amounts are paid into the internal service fund by all other funds and are available to pay claims and to fund claim reserves. As with any risk retention program, the City is contingently liable in respect to claims beyond those actuarially projected. These interfund premiums are used to reduce the amount of claim expenditures reported in the internal service fund.

The City is self-insured for the first \$1.0 million for general liability and automobile liability claims. The City is self-insured for property, health claims, employer's liability and statutory workers' compensation claims up to \$233.5 million, \$7.2 million, \$1.0 million, and statutory limitation amounts, respectively. The self-insured retention per incident is \$100,000, \$125,000, \$250,000 and \$250,000, respectively. Coverage in excess of the self-insured retention level per incident is provided through the purchase of commercial insurance. During the year, there were no significant reductions in the amounts of excess coverage purchased, nor has the City experienced any settlements in excess of insurance coverage over the past ten years.

At fiscal year end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2002, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience.

The following is a summary of changes in insurance claims payable, accounted for in the governmental and proprietary funds, for the last two fiscal years:

	June 30, 2001	Claims Incurred Net of Change in Estimates	Payments	June 30, 2002
General liability	\$4,325,127	\$ 298,388	\$ (392,470)	\$4,231,045
Automobile liability	1,581,883	(1,295,794)	(210,702)	75,387
Property liability	251,113	(67,390)	(98,150)	85,573
Workers' compensation	1,335,267	481,074	(1,042,726)	773,615
Health insurance	412,168	7,977,330	(7,756,681)	632,817
	<u>\$7,905,558</u>	<u>\$7,393,608</u>	<u>\$(9,500,729)</u>	<u>\$5,798,437</u>



NOTE 18 - RISK FINANCING ACTIVITIES (Continued)

	June 30, 2000	Claims Incurred Net of Change in Estimates	Payments	June 30, 2001
General liability	\$1,202,955	\$ 3,606,565	\$ (484,393)	\$4,325,127
Automobile liability	1,141,652	619,688	(179,457)	1,581,883
Property liability	70,122	446,065	(265,074)	251,113
Workers' compensation	399,502	2,054,318	(1,118,553)	1,335,267
Health insurance	408,245	6,369,950	(6,366,027)	412,168
	<u>\$3,222,476</u>	<u>\$13,096,586</u>	<u>\$(8,413,504)</u>	<u>\$7,905,558</u>

Additionally, at June 30, 2002, the City had \$9,620,607 of General Fund balance designated for self-insurance purposes.

NOTE 19 - CONTINGENT LIABILITIES

The City is subject to a number of lawsuits, investigations, and other claims that are incidental to the ordinary course of its operations. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a materially adverse effect on the City's financial position.

The City has entered into an agreement to provide \$11.8 million of infrastructure, public parking and tax abatements for the development of Hayden Ferry South, the area below Hayden Butte. If MCW Holdings, the developer, cannot finance Hayden Ferry South by July 2003, then the City has a potential obligation to buy the property from the bank for \$11.8 million. Given the economy, the City is currently in discussions with the developer to restructure the transaction to mitigate this potential liability.

NOTE 20 - RELATED ORGANIZATION

The Industrial Development Authority (IDA) is a non-profit corporation established by the City in 1981 to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate and remain in Tempe. The Board of Directors of the IDA is appointed by the City Council; however, the City does not have a financial benefit/burden relationship nor is the City able to impose its will on the IDA as defined in GASB Statement No. 14; therefore, data for the IDA is not included in the City's basic financial statements. Separately issued financial statements are not available for the IDA.

NOTE 21 - DEFICIT IN FUND BALANCE

The Signals Capital Projects Fund had a deficit fund balance of \$796,377 at June 30, 2002. The deficit will be funded by general obligation bonds expected to be issued during fiscal year 2002-2003.

NOTE 22 - SUBSEQUENT EVENTS

In August 2002, the City made a \$2.5 million payment to Bank One on behalf of MCW Brickyard Commercial, the developer of the Brickyard on Mill. The payment was made as a result of MCW Brickyard Commercial filing Chapter 11 bankruptcy protection. In return, the City cancelled its eight-year City sales tax abatement incentive it would have given MCW Brickyard Commercial for the work completed on a City park the developer helped build near the Brickyard, reflecting a \$1.5 million value in this property. For the remaining \$1.0 million, the City holds guarantees from the partners of MCW Brickyard Commercial on this debt. The City has filed claims for the \$1.0 million guarantees against the partners.



NOTE 22 - SUBSEQUENT EVENTS (Continued)

In October 2002, the City issued \$15.5 million in variable rate demand excise tax revenue obligations. The bonds will be used to finance costs, as described earlier, associated with phase one of the Tempe Center for the Arts.

Subsequent to June 30, 2002, the City received notice from the Arizona State Treasurer's Office that the issuer of a portion of the investments held by the State of Arizona Local Government Investment Pool ("LGIP") had defaulted on the December 1, 2002 interest payment due on the securities held by LGIP. This default has not yet been remedied, and the effect on the fair value of the LGIP's investment has not been determined. The securities in question comprise approximately 3.2% of the LGIP's investment portfolio. The City could potentially be at risk for its proportionate share of any losses realized by the LGIP. The City's proportionate share of the securities total \$4.2 million.





NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues used to finance certain projects or activities as required by law or contractual agreement.

- Performing Arts Fund – to account for the receipt and expenditure of the Performing Arts Tax monies. These monies are restricted to financing the performing and visual arts center.
- Highway User Revenue Fund - to account for the receipt and expenditure of the City's share of the highway user taxes. State law restricts the use of these monies to maintenance, construction and reconstruction of streets, and repayment of transportation-related general obligation debt.
- Local Transportation Assistance Fund - to account for the receipt and expenditure of the City's share of state lottery allocations. These monies are restricted to transportation programs only.
- Community Development Fund - to account for the receipt and expenditure of U.S. Department of Housing and Urban Development Community Development Block Grant and Home Program monies.
- Housing Assistance Fund - to account for the receipt and expenditure of U.S. Department of Housing and Urban Development Lower Income Housing Assistance Program grant monies.
- Rio Salado Fund - to account for the receipt and expenditure of miscellaneous monies used to foster the development of Rio Salado.
- Grants and Court Awards Fund - to account for the receipt and expenditure of miscellaneous grant monies and revenue received from court awarded confiscated property under both the Federal and State Organized Crime Acts.
- Community Facilities District Fund - to account for the receipt and expenditure of monies for the Rio Salado Community Facilities District.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for all current financial resources used for the acquisition of capital facilities except those financed by Enterprise Funds. Disbursements from these funds are primarily for property acquisition and the construction of permanent public improvements. The major sources of financing are derived from bond proceeds and special revenues.

- Streets Fund - used for improving, constructing and reconstructing major streets, highways, collector and local streets within the City, and to acquire rights-of-way.
- Police Fund - used for purchasing, constructing and equipping public safety buildings.
- Fire Fund - used for purchasing, constructing and equipping fire stations.
- Storm Sewers Fund - used for planning, constructing, extending and improving storm drain trunk lines and detention basins.
- Parks Fund - used for acquiring, developing and equipping parks, playgrounds and recreation facilities.
- Rio Salado Fund - used for consulting and engineering studies necessary to the design of the Rio Salado lake and for constructing a wildlife habitat.



CAPITAL PROJECTS FUNDS (Continued)

- Community Development Fund - used for acquiring, reconstructing, remodeling, renovating and equipping existing buildings that house municipal departments, and for acquiring and constructing housing for the elderly and the redevelopment of the downtown area.
- Bikeways Fund - used for improving, constructing and reconstructing bikeways within the City, and to acquire rights-of-way.
- Signals Fund - used for purchasing, constructing and equipping street light and traffic signal upgrades and for the planning of an overall transportation plan.

**City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002**

Special Revenue

Assets

	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Pooled cash and investments	\$ 6,676,516	\$ 5,319,999	\$ 3,217,462	\$ -
Receivables:				
Taxes	437,937	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	885,015	-	410,766
Inventories	-	842,238	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	-	-	-	-
Total assets	<u>\$ 7,114,453</u>	<u>\$ 7,047,252</u>	<u>\$ 3,217,462</u>	<u>\$ 410,766</u>

Liabilities

Accounts payable	\$ 123	\$ 236,678	\$ -	\$ 67,677
Deposits	-	-	-	-
Accrued expenditures	4,591	117,837	710	15,343
Claims and judgements	465	24,670	-	2,394
Due to other funds	-	-	-	14,837
Deferred revenue	-	-	-	310,515
Matured interest payable	-	-	-	-
Total liabilities	<u>5,179</u>	<u>379,185</u>	<u>710</u>	<u>410,766</u>

Fund Balances

Fund balance (deficit):				
Reserved for:				
Encumbrances	-	95,194	-	1,518
Inventories	-	842,238	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	7,109,274	5,730,635	3,216,752	(1,518)
Total fund balances (deficit)	<u>7,109,274</u>	<u>6,668,067</u>	<u>3,216,752</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 7,114,453</u>	<u>\$ 7,047,252</u>	<u>\$ 3,217,462</u>	<u>\$ 410,766</u>

(continued)

**City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002**

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ 1,991,994	\$ 1,569,940	\$ 265,615	\$ 19,041,526
-	77,761	-	-	515,698
-	-	-	-	-
-	47,824	-	-	47,824
629,684	-	867,869	-	2,793,334
-	-	-	-	842,238
-	-	-	-	-
-	-	-	4,623	4,623
<u>\$ 629,684</u>	<u>\$ 2,117,579</u>	<u>\$ 2,437,809</u>	<u>\$ 270,238</u>	<u>\$ 23,245,243</u>
\$ 33,395	\$ 26,214	\$ 209,158	\$ 225,799	\$ 799,044
-	-	38,418	-	38,418
13,443	17,871	96,297	-	266,092
2,676	3,063	4,080	-	37,348
85,294	-	-	-	100,131
494,876	-	1,561,544	-	2,366,935
-	-	-	44,439	44,439
<u>629,684</u>	<u>47,148</u>	<u>1,909,497</u>	<u>270,238</u>	<u>3,652,407</u>
425	8,291	37,820	-	143,248
-	-	-	-	842,238
-	-	-	-	-
(425)	2,062,140	490,492	-	18,607,350
-	2,070,431	528,312	-	19,592,836
<u>\$ 629,684</u>	<u>\$ 2,117,579</u>	<u>\$ 2,437,809</u>	<u>\$ 270,238</u>	<u>\$ 23,245,243</u>

(continued)

**City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002**

Capital Projects

	Streets	Police	Fire	Storm Sewers	Parks
<u>Assets</u>					
Pooled cash and investments	\$ 3,318,349	\$ 2,362,939	\$ 2,523,120	\$ 754,557	\$ 2,201,249
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	132,942	-	-	-	-
Total assets	<u>\$ 3,451,291</u>	<u>\$ 2,362,939</u>	<u>\$ 2,523,120</u>	<u>\$ 754,557</u>	<u>\$ 2,201,249</u>
<u>Liabilities</u>					
Accounts payable	\$ 114,391	\$ 143,433	\$ 127,857	\$ -	\$ 67,089
Deposits	-	20,571	-	-	-
Accrued expenditures	-	-	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>114,391</u>	<u>164,004</u>	<u>127,857</u>	<u>-</u>	<u>67,089</u>
<u>Fund Balances</u>					
Fund balance (deficit):					
Reserved for:					
Encumbrances	3,502,750	453,858	2,568,822	179,053	619,186
Inventories	-	-	-	-	-
Unreserved:					
Designated	-	1,745,077	-	575,504	1,514,974
Undesignated	(165,850)	-	(173,559)	-	-
Total fund balances (deficit)	<u>3,336,900</u>	<u>2,198,935</u>	<u>2,395,263</u>	<u>754,557</u>	<u>2,134,160</u>
Total liabilities and fund balances	<u>\$ 3,451,291</u>	<u>\$ 2,362,939</u>	<u>\$ 2,523,120</u>	<u>\$ 754,557</u>	<u>\$ 2,201,249</u>

(continued)

City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002

Capital Projects

Rio Salado	Community Development	Bikeways	Signals	Total	Total Nonmajor Governmental Funds
\$ 7,434,817	\$ 11,231,427	\$ 300,760	\$ -	\$ 30,127,218	\$ 49,168,744
-	-	-	-	-	515,698
-	500,000	-	197,552	697,552	697,552
-	-	-	-	-	47,824
48,994	707,250	-	83,863	840,107	3,633,441
-	-	-	-	-	842,238
-	680,000	-	-	680,000	680,000
742,497	-	-	-	875,439	880,062
<u>\$ 8,226,308</u>	<u>\$ 13,118,677</u>	<u>\$ 300,760</u>	<u>\$ 281,415</u>	<u>\$ 33,220,316</u>	<u>\$ 56,465,559</u>
\$ 266,970	\$ 1,386,708	\$ 675	\$ 367,523	\$ 2,474,646	\$ 3,273,690
-	-	-	-	20,571	58,989
-	-	-	297	297	266,389
-	-	-	-	-	37,348
-	-	-	709,972	709,972	810,103
-	-	-	-	-	2,366,935
-	-	-	-	-	44,439
<u>266,970</u>	<u>1,386,708</u>	<u>675</u>	<u>1,077,792</u>	<u>3,205,486</u>	<u>6,857,893</u>
316,346	1,857,887	674	337,326	9,835,902	9,979,150
-	-	-	-	-	842,238
7,642,992	9,874,082	299,411	-	21,652,040	21,652,040
-	-	-	(1,133,703)	(1,473,112)	17,134,238
<u>7,959,338</u>	<u>11,731,969</u>	<u>300,085</u>	<u>(796,377)</u>	<u>30,014,830</u>	<u>49,607,666</u>
<u>\$ 8,226,308</u>	<u>\$ 13,118,677</u>	<u>\$ 300,760</u>	<u>\$ 281,415</u>	<u>\$ 33,220,316</u>	<u>\$ 56,465,559</u>

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2002

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Revenues:				
Sales Taxes	\$ 5,006,344	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-
Intergovernmental:				
Federal grants	-	-	-	1,376,647
State grants	-	-	-	-
State sales tax	-	9,853,831	-	-
Other	-	-	900,415	352,230
Investment income	201,850	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	-	935	-	-
Total revenues	<u>5,208,194</u>	<u>9,854,766</u>	<u>900,415</u>	<u>1,728,877</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	138,568	-	-	-
Public works	-	7,305,478	-	-
Municipal courts	-	-	-	-
Development services	-	-	-	1,736,378
Economic development	-	-	-	-
Interest and fiscal fees	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>138,568</u>	<u>7,305,478</u>	<u>-</u>	<u>1,736,378</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>5,069,626</u>	<u>2,549,288</u>	<u>900,415</u>	<u>(7,501)</u>
Other financing sources (uses):				
Transfers in:				
General fund	-	1,998,402	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
General fund	(2,350)	(1,567)	-	-
Special revenue funds	-	-	(300,138)	-
Debt service funds	-	(4,500,000)	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	(356,175)	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>(2,350)</u>	<u>(2,859,340)</u>	<u>(300,138)</u>	<u>-</u>
Net change in fund balances	5,067,276	(310,052)	600,277	(7,501)
Fund balance at beginning of year	2,041,998	6,978,119	2,616,475	7,501
Fund balance (deficit) at end of year	<u>\$ 7,109,274</u>	<u>\$ 6,668,067</u>	<u>\$ 3,216,752</u>	<u>\$ -</u>

(continued)

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2002

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ 781,853	\$ -	\$ -	\$ 5,788,197
-	34,252	-	-	34,252
6,061,965	-	1,579,686	-	9,018,298
-	-	821,232	-	821,232
-	-	-	-	9,853,831
-	-	924	-	1,253,569
5,408	477,796	29,990	292	715,336
-	8,807	31,940	32,263	73,010
-	-	370,871	-	370,871
-	-	-	-	-
1,401	26,876	482,725	138,656	650,593
6,068,774	1,329,584	3,317,368	171,211	28,579,189
-	-	1,610,290	-	1,610,290
-	-	383,480	-	383,480
-	-	793,513	-	932,081
-	-	137,078	-	7,442,556
-	-	166,429	-	166,429
6,099,703	696,976	-	-	8,533,057
-	-	-	1,940,693	1,940,693
-	-	-	767,450	767,450
-	-	-	-	-
6,099,703	696,976	3,090,790	2,708,143	21,776,036
(30,929)	632,608	226,578	(2,536,932)	6,803,153
-	6,707,970	-	1,184,600	9,890,972
-	-	-	600,232	600,232
-	-	-	767,450	767,450
-	-	-	-	-
-	-	-	-	-
-	(3,077,967)	-	-	(3,081,884)
-	(600,232)	-	-	(900,370)
-	-	-	-	(4,500,000)
-	(6,633,397)	-	(15,350)	(6,648,747)
-	-	-	-	(356,175)
-	-	-	-	-
-	(3,603,626)	-	2,536,932	(4,228,522)
(30,929)	(2,971,018)	226,578	-	2,574,631
30,929	5,041,449	301,734	-	17,018,205
\$ -	\$ 2,070,431	\$ 528,312	\$ -	\$ 19,592,836

(continued)

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2002

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
Revenues:					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-
Intergovernmental:					
Federal grants	-	-	-	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	-	-	-
Investment income	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other entities' participation	118,478	-	-	-	-
Miscellaneous	12,933	8,906	-	-	65,000
Total revenues	<u>131,411</u>	<u>8,906</u>	<u>-</u>	<u>-</u>	<u>65,000</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Municipal courts	-	-	-	-	-
Development services	-	-	-	-	-
Economic development	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	3,227,961	1,952,111	961,872	1,298,595	2,038,475
Total expenditures	<u>3,227,961</u>	<u>1,952,111</u>	<u>961,872</u>	<u>1,298,595</u>	<u>2,038,475</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(3,096,550)</u>	<u>(1,943,205)</u>	<u>(961,872)</u>	<u>(1,298,595)</u>	<u>(1,973,475)</u>
Other financing sources (uses):					
Transfers in:					
General fund	2,100	-	750,000	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	324,000	136,098	-	147,773	123,525
Enterprise funds	-	-	-	-	378,970
Transfers out:					
General fund	(1,400,480)	(100,000)	-	-	(450,000)
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	(121,179)	(72,092)	-	-	(150,000)
Enterprise funds	(1,111)	-	-	-	-
Issuance of debt	2,550,000	445,000	1,495,000	695,000	1,695,000
Total other financing sources (uses)	<u>1,353,330</u>	<u>409,006</u>	<u>2,245,000</u>	<u>842,773</u>	<u>1,597,495</u>
Net change in fund balances	<u>(1,743,220)</u>	<u>(1,534,199)</u>	<u>1,283,128</u>	<u>(455,822)</u>	<u>(375,980)</u>
Fund balance at beginning of year	5,080,120	3,733,134	1,112,135	1,210,379	2,510,140
Fund balance (deficit) at end of year	<u>\$ 3,336,900</u>	<u>\$ 2,198,935</u>	<u>\$ 2,395,263</u>	<u>\$ 754,557</u>	<u>\$ 2,134,160</u>

(continued)

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2002

Capital Projects					Total Nonmajor Governmental Funds
Rio Salado	Community Development	Bikeways	Signals	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,788,197
-	-	-	-	-	34,252
-	707,250	-	1,185,872	1,893,122	10,911,420
508,558	-	-	-	508,558	1,329,790
-	-	-	-	-	9,853,831
-	26,371	-	-	26,371	1,279,940
15,500	-	-	-	15,500	730,836
-	-	-	-	-	73,010
-	-	-	-	-	370,871
-	500,000	-	198,563	817,041	817,041
6,737	3,485	-	88,712	185,773	836,366
530,795	1,237,106	-	1,473,147	3,446,365	32,025,554
-	-	-	-	-	1,610,290
-	-	-	-	-	383,480
-	-	-	-	-	932,081
-	-	-	-	-	7,442,556
-	-	-	-	-	166,429
-	-	-	-	-	8,533,057
-	-	-	-	-	1,940,693
-	-	-	-	-	767,450
2,725,727	9,401,384	150,950	3,307,188	25,064,263	25,064,263
2,725,727	9,401,384	150,950	3,307,188	25,064,263	46,840,299
(2,194,932)	(8,164,278)	(150,950)	(1,834,041)	(21,617,898)	(14,814,745)
-	11,053,030	-	150,000	11,955,130	21,846,102
6,612,677	281,470	-	-	6,894,147	7,494,379
-	-	-	-	-	767,450
110,412	337,856	5,415	107,834	1,292,913	1,292,913
-	198,488	-	-	577,458	577,458
(900,000)	(1,961,202)	-	-	(4,811,682)	(7,893,566)
-	-	-	-	-	(900,370)
(1,027,000)	-	-	-	(1,027,000)	(5,527,000)
-	(777,869)	(24,000)	(158,273)	(1,303,413)	(7,952,160)
-	-	-	-	(1,111)	(357,286)
-	-	100,000	1,020,000	8,000,000	8,000,000
4,796,089	9,131,773	81,415	1,119,561	21,576,442	17,347,920
2,601,157	967,495	(69,535)	(714,480)	(41,456)	2,533,175
5,358,181	10,764,474	369,620	(81,897)	30,056,286	47,074,491
\$ 7,959,338	\$ 11,731,969	\$ 300,085	\$ (796,377)	\$ 30,014,830	\$ 49,607,666





INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government and to other government units, on a cost reimbursement basis.

- Risk Management Fund - used to account for the costs of general liability, automobile liability, property liability and workers compensation claims by the City under a self-insurance program.
- Health Fund – accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

City of Tempe, Arizona
Internal Service Funds
Combining Statement of Net Assets
June 30, 2002

	<u>Risk Management</u>	<u>Health</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Pooled cash and investments	\$ 5,311,253	\$ 1,628,007	\$ 6,939,260
Total assets	<u>\$ 5,311,253</u>	<u>\$ 1,628,007</u>	<u>\$ 6,939,260</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 145,633	\$ 93,972	\$ 239,605
Accrued expenses and claims payable	5,165,620	-	5,165,620
Total liabilities	<u>5,311,253</u>	<u>93,972</u>	<u>5,405,225</u>
<u>Net Assets</u>			
Unrestricted	-	1,534,035	1,534,035
Total net assets	<u>\$ -</u>	<u>\$ 1,534,035</u>	<u>\$ 1,534,035</u>

City of Tempe, Arizona
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2002

	Risk Management	Health	Total
Operating revenues:			
Contributions	\$ 484,262	\$12,887,303	\$13,371,565
Total operating revenues	<u>484,262</u>	<u>12,887,303</u>	<u>13,371,565</u>
Operating expenses:			
Claims incurred	484,262	12,786,193	13,270,455
Total operating expenses	<u>484,262</u>	<u>12,786,193</u>	<u>13,270,455</u>
Change in net assets	-	101,110	101,110
Total net assets- beginning	-	1,432,925	1,432,925
Total net assets- ending	<u>\$ -</u>	<u>\$1,534,035</u>	<u>\$1,534,035</u>

City of Tempe, Arizona
Internal Service Fund
Combining Statement of Cash Flows
For the Year Ended June 30, 2002

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 484,262	\$ 12,887,303	\$ 13,371,565
Payments for settlement of claims	(2,712,282)	(12,764,975)	(15,477,257)
Net cash provided (used) by operating activities	(2,228,020)	122,328	(2,105,692)
Net increase (decrease) in cash and cash equivalents	(2,228,020)	122,328	(2,105,692)
Cash and cash equivalents, beginning of year	7,539,273	1,505,679	9,044,952
Cash and cash equivalents, end of year	<u>\$ 5,311,253</u>	<u>\$ 1,628,007</u>	<u>\$ 6,939,260</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ -	\$ 101,110	\$ 101,110
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Increase (decrease) in accrued expenses	(2,228,020)	21,218	(2,206,802)
Net cash provided (used) by operating activities	<u>\$ (2,228,020)</u>	<u>\$ 122,328</u>	<u>\$ (2,105,692)</u>







BUDGETARY COMPARISON SCHEDULES



City of Tempe, Arizona
General, Special Revenue, and Debt Service Fund Types
Combined Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (budgetary basis)	Variance with Final Budget Postive (Negative)
Revenues			
Taxes	\$125,930,876	\$ 111,252,263	\$ (14,678,613)
Intergovernmental	58,700,450	57,052,178	(1,648,272)
Investment income	7,944,700	11,178,102	3,233,402
Charges for services	7,972,819	6,518,077	(1,454,742)
Fines and forfeitures	4,512,088	4,609,906	97,818
Licenses and permits	681,850	1,105,145	423,295
Miscellaneous	2,359,008	3,003,801	644,793
Total revenues	<u>208,101,791</u>	<u>194,719,472</u>	<u>(13,382,319)</u>
Expenditures			
Current:			
Police	43,223,649	41,608,772	1,614,877
Fire	14,912,102	14,513,248	398,854
Community services	19,221,526	18,128,541	1,092,985
Public works	41,877,253	39,616,440	2,260,813
Community relations	2,330,818	2,257,521	73,297
Mayor and council	527,265	496,959	30,306
City Manager	1,462,583	1,469,215	(6,632)
City clerk and elections	741,435	733,155	8,280
City attorney	2,560,296	2,495,212	65,084
Municipal courts	3,088,864	2,998,706	90,158
Development services	21,991,756	15,689,973	6,301,783
Economic development	3,347,914	2,439,307	908,607
Financial Services	5,346,108	4,726,707	619,401
Human resources	4,157,448	3,745,271	412,177
Information technology	313,781	(102,397)	416,178
Non-departmental	4,421,767	3,232,904	1,188,863
Contingency	449,232	-	449,232
Debt Service:			
Principal	8,443,714	9,209,500	(765,786)
Interest and fiscal fees	7,305,256	5,225,664	2,079,592
Total expenditures	<u>185,722,767</u>	<u>168,484,698</u>	<u>17,238,069</u>
Other financing sources (uses)			
Transfers from other funds	6,682,700	28,558,041	21,875,341
Transfers to other funds	(26,372,742)	(47,736,553)	(21,363,811)
Total other financing sources (uses)	<u>(19,690,042)</u>	<u>(19,178,512)</u>	<u>511,530</u>
Net change in fund balance	<u>\$ 2,688,982</u>	<u>\$ 7,056,262</u>	<u>\$ 4,367,280</u>

City of Tempe, Arizona
General Obligation Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 12,567,833	\$ 12,326,172	\$ (241,661)
Investment income	-	140,125	140,125
Miscellaneous	-	3,387	3,387
Total revenues	<u>12,567,833</u>	<u>12,469,684</u>	<u>(98,149)</u>
Expenditures:			
Debt service:			
Principal retirement	6,092,464	6,858,250	(765,786)
Interest and fiscal fees	<u>5,146,265</u>	<u>4,366,067</u>	<u>780,198</u>
Total expenditures	<u>11,238,729</u>	<u>11,224,317</u>	<u>14,412</u>
Excess of revenues over expenditures before other financing sources (uses)	1,329,104	1,245,367	(83,737)
Other financing sources (uses):			
Transfers in	-	5,788,250	5,788,250
Transfers out	-	<u>(4,067,450)</u>	<u>(4,067,450)</u>
Total other financing sources (uses)	<u>-</u>	<u>1,720,800</u>	<u>1,720,800</u>
Excess of revenues and other sources over expenditures and other uses	1,329,104	2,966,167	1,637,063
Fund balance at beginning of year	<u>9,135,690</u>	<u>9,135,690</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,464,794</u>	<u>\$ 12,101,857</u>	<u>\$ 1,637,063</u>

City of Tempe, Arizona
Performing Arts Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales Taxes	\$ 5,500,000	\$ 5,006,344	\$ (493,656)
Investment income	104,000	201,850	97,850
Total revenues	<u>5,604,000</u>	<u>5,208,194</u>	<u>(395,806)</u>
Expenditures:			
Current:			
Community services	314,698	133,516	181,183
Total expenditures	<u>314,698</u>	<u>133,516</u>	<u>181,183</u>
Excess of revenues over expenditures before other financing uses	5,289,302	5,074,678	(214,625)
Other financing uses:			
Transfers out	-	(2,350)	(2,350)
Total other financing uses	<u>-</u>	<u>(2,350)</u>	<u>(2,350)</u>
Excess of revenues over expenditures and other uses	5,289,302	5,072,328	(216,975)
Fund balance at beginning of year	<u>2,043,766</u>	<u>2,043,766</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,333,068</u>	<u>\$ 7,116,094</u>	<u>\$ (216,975)</u>

City of Tempe, Arizona
Highway User Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental	\$10,162,600	\$ 9,853,831	\$ (308,769)
Miscellaneous	-	935	935
Total revenues	<u>10,162,600</u>	<u>9,854,766</u>	<u>(307,834)</u>
Expenditures:			
Current:			
Public works	<u>8,126,071</u>	<u>7,235,876</u>	<u>890,195</u>
Total expenditures	<u>8,126,071</u>	<u>7,235,876</u>	<u>890,195</u>
Excess of revenues over expenditures before other financing sources (uses)	2,036,529	2,618,890	582,361
Other financing sources (uses):			
Transfers in	-	1,998,402	1,998,402
Transfers out	-	(4,857,742)	(4,857,742)
Total other financing sources (uses)	<u>-</u>	<u>(2,859,340)</u>	<u>(2,859,340)</u>
Excess of revenues and other sources over expenditures and other uses	2,036,529	(240,450)	(2,276,979)
Fund balance at beginning of year	<u>6,598,101</u>	<u>6,598,101</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,634,630</u>	<u>\$ 6,357,651</u>	<u>\$ (2,276,979)</u>

City of Tempe, Arizona
Local Transportation Assistance Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental	\$ 932,300	\$ 900,415	\$ (31,885)
Total revenues	<u>932,300</u>	<u>900,415</u>	<u>(31,885)</u>
Expenditures:			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures before other financing uses	932,300	900,415	(31,885)
Other financing uses:			
Transfers out	(307,700)	(300,138)	7,562
Total other financing uses	<u>(307,700)</u>	<u>(300,138)</u>	<u>7,562</u>
Excess of revenues over expenditures and other uses	624,600	600,277	(24,323)
Fund balance at beginning of year	<u>2,616,475</u>	<u>2,616,475</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,241,075</u>	<u>\$ 3,216,752</u>	<u>\$ (24,323)</u>

City of Tempe, Arizona
Community Development Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental	\$ 3,736,668	\$ 1,728,877	\$ (2,007,791)
Total revenues	<u>3,736,668</u>	<u>1,728,877</u>	<u>(2,007,791)</u>
Expenditures:			
Current:			
Development services	3,736,668	1,736,378	2,000,290
Total expenditures	<u>3,736,668</u>	<u>1,736,378</u>	<u>2,000,290</u>
Excess of expenditures over revenues	-	(7,501)	(7,501)
Fund balance at beginning of year	<u>-</u>	<u>7,501</u>	<u>7,501</u>
Fund balance at end of year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

City of Tempe, Arizona
Housing Assistance Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental	\$ 5,420,482	\$ 6,061,965	\$ 641,483
Investment income	8,700	5,408	(3,292)
Miscellaneous	-	1,401	1,401
Total revenues	<u>5,429,182</u>	<u>6,068,774</u>	<u>639,592</u>
Expenditures:			
Current:			
Development services	<u>5,429,182</u>	<u>6,099,703</u>	<u>(670,521)</u>
Total expenditures	<u>5,429,182</u>	<u>6,099,703</u>	<u>(670,521)</u>
Excess of expenditures over revenues	-	(30,929)	(30,929)
Fund balance at beginning of year	<u>-</u>	<u>30,929</u>	<u>30,929</u>
Fund balance at end of year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

City of Tempe, Arizona
Rio Salado Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 735,100	\$ 781,853	\$ 46,753
Property taxes	-	34,252	34,252
Investment income	283,000	477,796	194,796
Charges for services	7,600	8,807	1,207
Miscellaneous	24,550	26,876	2,326
Total revenues	<u>1,050,250</u>	<u>1,329,584</u>	<u>279,334</u>
Expenditures:			
Current:			
Development services	<u>5,330,161</u>	<u>705,925</u>	<u>4,624,236</u>
Total expenditures	<u>5,330,161</u>	<u>705,925</u>	<u>4,624,236</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(4,279,911)	623,659	4,903,570
Other financing sources (uses):			
Transfers in	-	6,707,970	6,707,970
Transfers out	-	(10,311,596)	(10,311,596)
Total other financing sources (uses)	<u>-</u>	<u>(3,603,626)</u>	<u>(3,603,626)</u>
Deficiency of revenues and other sources over expenditures and other uses	(4,279,911)	(2,979,967)	1,299,944
Fund balance at beginning of year	<u>5,067,249</u>	<u>5,067,249</u>	<u>-</u>
Fund balance at end of year	<u>\$ 787,338</u>	<u>\$ 2,087,282</u>	<u>\$ 1,299,944</u>

City of Tempe, Arizona
Community Facilities District Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2002

	Original and Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	-	\$ 292	\$ 292
Charges for services	-	32,263	32,263
Miscellaneous	-	138,656	138,656
Total revenues	-	171,211	171,211
Expenditures:			
Current:			
Economic development	2,803,361	1,940,693	862,668
Debt service:			
Interest and fiscal fees	2,065,000	767,450	1,297,550
Total expenditures	4,868,361	2,708,143	2,160,218
Excess of revenues over expenditures before other financing sources (uses)	(4,868,361)	(2,536,932)	2,331,429
Other financing sources (uses):			
Transfers in	-	2,552,282	2,552,282
Transfers out	-	(15,350)	(15,350)
Total other financing sources (uses)	-	2,536,932	2,536,932
Deficiency of revenues and other sources over expenditures and other uses	(4,868,361)	-	4,868,361
Fund balance at beginning of year	-	-	-
Fund balance (deficit) at end of year	\$ (4,868,361)	-	\$ 4,868,361





FINANCIAL DATA SCHEDULES

The Financial Data Schedules in this section are presented as required by the U.S. Department of Housing and Urban Development in accordance with the Uniform Financial Reporting Standards Rule as contained in the Federal Register (24CFR, Part 5, Subpart H). These schedules are presented on a modified accrual basis of accounting.

City of Tempe, Arizona
Housing Assistance Fund
Other Supplementary Information - Financial Data Schedule
Balance Sheet
June 30, 2002

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<u>Assets</u>		
111	Cash - Unrestricted	\$ -
121	Accounts Receivable - PHA Projects	663,067
	Total Assets	<u>\$ 663,067</u>
<u>Liabilities</u>		
311	Bank Overdraft	\$ 85,294
312	Accounts Payable <= 90 Days	33,379
321	Accrued Wage/Payroll Taxes Payable	16,135
322	Accrued Compensated Absences	33,383
331	Accounts Payable - HUD PHA Programs	-
342	Deferred Revenues	494,876
	Total Liabilities	<u>663,067</u>
<u>Equity</u>		
512	Undesignated Fund Balance	-
	Total Equity	<u>-</u>
	Total Liabilities and Equity	<u>\$ 663,067</u>

City of Tempe, Arizona
Housing Assistance Fund
Other Supplementary Information - Financial Data Schedule
Revenues and Expenses
For the fiscal year ended June 30, 2002

Line Item #	Account Description	Section 8 Voucher Program
<u>Revenues</u>		
706	HUD PHA Grants	\$ 6,077,382
711	Investment Income - Unrestricted	5,408
715	Other Revenue	19,367
	Total Revenues	<u>6,102,157</u>
<u>Expenses</u>		
911	Administrative Salaries	298,676
912	Auditing Fees	6,000
914	Compensated Absences	30,424
915	Employee Benefit Contributions - Administrative	70,692
916	Other Operating - Administrative	126,536
973	Housing Assistance Payments	5,569,829
	Total Expenses	<u>6,102,157</u>
	Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$ -</u>

Memo Account Information

1113	Maximum Annual Contributions Commitment (Per ACC)	\$ 5,694,032
1115	Contingency Reserve, ACC Program Reserve	1,137,437
1116	Total Annual Contributions Available	<u>\$ 6,831,469</u>
1120	Unit Months Available	11,556
1121	Number of Unit Months Leased	10,360





CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

City of Tempe, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2002

Program	Balance June 30, 2001	Additions	Retirements	Transfers in (out)	Balance June 30, 2002
Police	\$ 14,690,534	\$ 2,148,934	\$ (150,448)	\$ 63,881	\$ 16,752,901
Fire	12,268,171	1,067,150	(137,244)	11,231	13,209,308
Community services	31,077,103	5,213,915	-	(2,960,026)	33,330,992
Public works	603,818,599	23,897,529	(430,082)	(2,676,623)	624,609,423
Community relations	262,621	-	-	-	262,621
City manager	1,407,293	-	-	21,988	1,429,281
City clerk and elections	25,760	-	-	-	25,760
City attorney	-	-	-	-	-
Municipal courts	282,613	-	-	-	282,613
Development services	11,970,716	3,365,612	-	(2,087,726)	13,248,602
Economic development	285,498	22,017	-	(40,915)	266,600
Financial services	1,386,740	225,557	-	(387,659)	1,224,638
Human resources	55,455	-	-	-	55,455
Information technology	35,636,721	2,821,763	(7,750)	(1,067,224)	37,383,510
Non-departmental	119,420,675	-	-	-	119,420,675
Total	\$ 832,588,499	\$ 38,762,477	\$ (725,524)	\$ (9,123,073)	\$ 861,502,379

City of Tempe, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2002

Program	Land	Buildings	Infrastructure	Improvements	Machinery and Equipment	Construction in Progress	Total
Police	\$ 1,652,279	\$ 4,125,097	-	\$ 1,903,616	\$ 8,695,426	\$ 376,483	\$ 16,752,901
Fire	1,107,061	7,094,899	-	666,264	3,821,527	519,557	13,209,308
Community services	4,716,752	15,237,860	-	6,640,370	2,469,664	4,266,346	33,330,992
Public works	366,211	2,016,659	578,938,962	15,268,470	19,136,869	8,882,252	624,609,423
Community relations	-	-	-	99,828	162,793	-	262,621
City manager	1,350,184	-	-	39,621	39,476	-	1,429,281
City clerk and elections	-	-	-	-	25,760	-	25,760
City attorney	-	-	-	-	-	-	-
Municipal courts	-	-	-	-	282,613	-	282,613
Development services	3,458,318	8,400,194	-	60,078	379,315	950,697	13,248,602
Economic development	140,600	-	-	-	126,000	-	266,600
Financial services	-	-	-	399,766	824,872	-	1,224,638
Human resources	-	-	-	49,705	5,750	-	55,455
Information technology	-	12,725,143	-	-	21,216,140	3,442,227	37,383,510
Non-departmental	16,076,708	54,782,177	-	21,120,334	27,441,456	-	119,420,675
Subtotal	28,868,113	104,382,029	578,938,962	46,248,052	84,627,661	18,437,562	861,502,379
Less: accumulated depreciation	-	(19,696,820)	(184,106,816)	(14,191,391)	(49,515,913)	-	(267,510,940)
Total governmental funds capital assets	\$ 28,868,113	\$ 84,685,209	\$ 394,832,146	\$ 32,056,661	\$ 35,111,748	\$ 18,437,562	\$ 593,991,439



City of Tempe, Arizona
Government-wide Expenditures by Function (Exhibit S-1)
One Fiscal Year

	Fiscal Year <u>2001-02</u>
Police	\$ 45,265,995
Fire	15,988,363
Community services	20,874,630
Public works	57,047,822
Community relations	2,212,271
Mayor and council	516,899
City manager	1,414,543
City clerk and elections	784,099
City attorney	2,420,285
Municipal courts	3,325,642
Development services	16,808,229
Economic development	2,485,774
Financial services	4,906,157
Human resources	4,058,772
Information technology	804,751
Non-departmental	<u>7,594,725</u>
	<u><u>\$ 186,508,957</u></u>

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements. These amounts are presented on the accrual basis of accounting.

City of Tempe, Arizona

**Government-wide Revenues by Source (Exhibit S-2)
One Fiscal Year**

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Sales Taxes	State Income Taxes	Property Taxes	Franchise Taxes	Auto-Lieu Taxes	Total
2001-02	\$ 71,539,934	\$ 11,782,757	\$ 11,409,733	\$ 111,538,072	\$ 16,544,791	\$ 20,375,185	\$ 1,810,590	\$ 5,233,512	\$ 250,234,574

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements. These amounts are presented on the accrual basis of accounting.

City of Tempe, Arizona

**General Governmental
(General, Special Revenue and Debt Service Funds)
Revenues By Source - GAAP Basis (Exhibit S-3)
Last Ten Fiscal Years**

Fiscal Year	Taxes	Inter- governmental	Investment Income	Charges for Services	Fines and Forfeitures	Special Assessments	Licenses and Permits	Miscellaneous	Total
1992-93	\$ 40,716,134	\$ 36,612,766	\$ 2,726,967	\$ 3,886,566	\$ 2,617,124	\$ 3,199,073	\$ 768,693	\$ 1,601,337	\$ 92,128,660
1993-94	49,443,193	38,926,910	2,148,984	5,778,518	2,766,169	2,715,475	821,244	1,609,172	104,209,665
1994-95	61,169,579	43,067,593	3,704,351	5,829,027	3,031,153	2,673,189	862,605	2,008,062	122,345,559
1995-96	64,307,545	42,974,050	4,819,518	5,923,546	3,691,911	2,527,526	951,585	5,479,838	130,675,519
1996-97	77,573,590	44,565,117	5,309,812	7,120,367	3,522,706	17,735,854	936,866	4,120,450	160,884,762
1997-98	98,767,270	48,136,786	6,794,487	7,760,931	4,089,198	1,949,841	946,895	1,543,932	169,989,340
1998-99	101,865,345	53,161,165	7,178,510	6,576,694	4,877,353	2,603,350	1,100,281	2,156,437	179,519,135
1999-00	107,856,012	59,016,628	8,658,332	7,146,295	5,500,018	2,601,706	1,200,592	3,225,687	195,205,270
2000-01	116,709,523	60,987,547	14,889,640	6,977,643	4,924,823	2,899,583	1,081,485	2,705,437	211,175,681
2001-02	111,252,263	62,750,768	11,208,092	6,550,017	4,980,777	2,845,691	1,105,145	3,490,833	204,183,586

City of Tempe, Arizona

**General Governmental
(General, Special Revenue, Debt Service, and Capital Projects Funds)
Tax Revenues By Source - GAAP Basis (Exhibit S-4)
Last Ten Fiscal Years**

Fiscal Year	City Sales (A)	Local Bed/ Other (B)		Primary Property		Secondary Property		SRP In-Lieu (C)		Residential Development		Franchise	Total		
1992-93	\$26,465,872	\$	862,036	\$	3,963,174	\$	7,360,338	\$	1,101,364	\$	61,790	\$	901,560	\$	40,716,134
1993-94	33,859,498		965,383		4,225,048		7,578,152		1,311,706		586,825		916,581		49,443,193
1994-95	45,870,050		1,160,235		4,247,312		7,068,557		1,357,799		566,915		898,711		61,169,579
1995-96	48,488,110		1,236,459		4,760,417		7,537,093		1,322,950		372,790		962,516		64,680,335
1996-97	60,931,843		1,551,297		5,141,986		7,666,645		1,263,705		554,387		1,018,984		78,128,846
1997-98	80,495,003		1,779,972		5,382,818		8,449,186		1,199,458		636,430		1,368,373		99,311,240
1998-99	82,509,157		1,820,476		5,665,473		9,506,815		1,144,363		173,515		1,220,941		102,040,740
1999-00	86,935,628		1,970,165		6,145,575		10,416,361		1,110,420		256,610		1,278,333		108,113,092
2000-01	94,253,436		2,315,997		6,879,783		10,778,142		967,193		6,110		1,514,502		116,715,163
2001-02	87,952,618		1,583,185		7,135,100		11,729,480		1,041,290		-		1,810,590		111,252,264

(A) In fiscal year 1996-97, City of Tempe voters approved a 0.1% increase in the City sales tax. In fiscal year 1999-00, City of Tempe voters approved a 0.5% increase in the City sales tax.

(B) Bed tax is included in the sales tax figure on the Statement of Revenues, Expenditures and Changes in Fund Balance.

(C) SRP In-Lieu tax is included in the property tax figure on the Statement of Revenues, Expenditures and Changes in Fund Balance.

City of Tempe, Arizona

General Governmental
(General and Special Revenue Funds)
Intergovernmental Revenues by Source - GAAP Basis (Exhibit S-5)
Last Ten Fiscal Years

Fiscal Year	State Sales Tax	Highway User Tax	State Income Tax	Local		Federal Grants	Other	Total
				Auto In-Lieu Tax	Transportation Assistance			
1992-93	\$ 9,280,399	\$ 8,349,688	\$ 9,175,251	\$ 2,560,309	\$ 1,130,372	\$ 5,637,371	\$ 479,376	\$ 36,612,766
1993-94	10,062,083	8,954,978	9,256,278	3,238,167	1,123,762	5,950,264	341,378	38,926,910
1994-95	10,937,688	9,435,501	11,139,519	4,031,788	1,107,750	5,329,298	1,086,049	43,067,593
1995-96	11,474,002	10,238,951	9,939,947	3,863,004	1,109,176	5,666,784	682,186	42,974,050
1996-97	10,857,058	9,788,235	11,661,618	4,150,865	1,143,695	6,093,228	870,418	44,565,117
1997-98	11,466,965	9,684,269	13,158,548	4,390,865	1,019,776	6,738,777	1,677,586	48,136,786
1998-99	12,208,316	10,767,285	15,361,479	4,971,529	1,000,596	6,416,229	2,435,731	53,161,165
1999-00	13,511,356	11,041,068	17,045,903	5,497,492	976,015	6,895,654	4,049,140	59,016,628
2000-01	13,951,532	11,213,830	17,890,338	5,632,181	957,785	7,042,160	4,299,721	60,987,547
2001-02	12,148,438	9,853,831	16,544,791	5,233,512	900,415	9,059,321	1,178,386	54,918,694

City of Tempe, Arizona
General Governmental
(General, Special Revenue, Debt Service and Capital Projects Funds)
Expenditures by Function - GAAP Basis (Exhibit S-6)
One Fiscal Year

	Fiscal Year <u>2001-02</u>	
Police	\$ 44,998,148	
Fire	16,035,946	
Community services	18,699,638	
Public works	40,953,013	
Community relations	2,190,993	
Mayor and council	518,319	
City manager	1,438,441	
City clerk and elections	784,395	
City attorney	2,458,773	
Municipal courts	3,244,835	
Development services	15,898,464	
Economic development	2,447,928	
Financial services	4,721,361	
Human resources	4,070,814	
Information technology	686,109	
Non-departmental	<u>1,412,665</u>	
	<u>\$ 160,559,842</u>	

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new format.

City of Tempe, Arizona

General Property Tax Information (Exhibit S-7)

Tax Levy Limitations

Beginning in 1980-81, the total tax levy is comprised of two elements: a primary levy for operating costs and a secondary levy for general obligation bond debt service requirements. The primary levy was limited to a 7% increase for 1980-81 and a 2% annual increase thereafter. In addition, the primary levy on residential property only is limited to an amount not more than 1% of market value. The secondary levy is unlimited.

Assessments and Collections

Since 1950-51, Maricopa County, at no charge to the cities, has assessed and collected all municipal property taxes. Remittances are made to the respective cities periodically as collections accrue.

Taxes Due

First installment, October 1st; second installment, March 1st.

Taxes Payable

City property taxes are payable at the office of the County Treasurer. Taxes for the first half of the year can be paid on the first of September through the first of November. Second half taxes can be paid on the first of March through the first of May.

Taxes Delinquent

The first half becomes delinquent on the first day of November at 5 p.m. The second half becomes delinquent on the first day of May at 5 p.m. Interest at the rate of 16% per annum attaches on the first and second installments following the delinquent dates.

Tax Sale

The sale of delinquent tax bills is begun on a date not earlier than February 1 nor later than March 1 following the May 1 date upon which the second half taxes become delinquent. The sale is made at public auction in the office of the County Treasurer. Tax bills are sold to the highest bidder who offers to pay the accumulated amount of tax and to charge thereon the lowest rate of interest. The maximum amount of interest allowed by law is 12% per annum. The purchaser is given a Certificate of Purchase for each parcel.

Tax Deed

Five years subsequent to the tax sale, the holder of a Certificate of Purchase which has not been redeemed by the delinquent property owner may demand a County Treasurer's Deed. However, at the end of three full years, a holder of a Certificate of Purchase may institute quiet title action and the court will instruct the County Treasurer to issue a County Treasurer's Deed if the suit is successful.

Redemption

Redemption may be made by the delinquent property owner or any interested party by payment in full of all accumulated charges at any time before issuance of the tax deed. Payment may be made to the County Treasurer.

City of Tempe, Arizona

**Property Tax Levies - All Direct and Overlapping Governments (Exhibit S-8)
Last Ten Fiscal Years
(Continued)**

Fiscal Year		City of Tempe	Schools			
			Tempe Union	Tempe Elementary (A)	Community College	East Valley Institute of Technology (C)
1992-93	Primary	\$ 4,094,223	\$ 31,962,008	\$ 26,563,961	\$ 108,004,302	-
	Secondary	7,600,000	10,397,159	8,598,563	7,898,265	1,586,673
	Total	<u>11,694,223</u>	<u>42,359,167</u>	<u>35,162,524</u>	<u>115,902,567</u>	<u>1,586,673</u>
1993-94	Primary	4,299,653	33,427,473	26,385,373	113,440,000	-
	Secondary	7,700,000	10,239,242	8,242,241	-	3,595,963
	Total	<u>11,999,653</u>	<u>43,666,715</u>	<u>34,627,614</u>	<u>113,440,000</u>	<u>3,595,963</u>
1994-95	Primary	4,463,534	34,663,388	26,296,909	118,841,866	-
	Secondary	7,350,000	10,348,734	7,233,778	-	2,863,873
	Total	<u>11,813,534</u>	<u>45,012,122</u>	<u>33,530,687</u>	<u>118,841,866</u>	<u>2,863,873</u>
1995-96	Primary	4,707,304	36,298,864	28,651,005	127,583,281	-
	Secondary	7,439,366	12,962,978	8,606,098	23,643,816	1,452,107
	Total	<u>12,146,670</u>	<u>49,261,842</u>	<u>37,257,103</u>	<u>151,227,097</u>	<u>1,452,107</u>
1996-97	Primary	5,058,289	35,822,152	26,455,974	136,570,230	-
	Secondary	7,548,414	15,067,689	8,781,347	10,099,590	6,120,184
	Total	<u>12,606,703</u>	<u>50,889,841</u>	<u>35,237,321</u>	<u>146,669,820</u>	<u>6,120,184</u>
1997-98	Primary	5,303,027	37,304,352	23,951,371	146,259,046	-
	Secondary	8,388,168	17,447,673	8,842,996	25,143,528	4,274,560
	Total	<u>13,691,195</u>	<u>54,752,025</u>	<u>32,794,367</u>	<u>171,402,574</u>	<u>4,274,560</u>
1998-99	Primary	5,612,357	42,137,221	27,500,363	158,026,342	-
	Secondary	9,490,562	24,250,898	10,736,890	21,173,925	5,130,129
	Total	<u>15,102,919</u>	<u>66,388,119</u>	<u>38,237,253</u>	<u>179,200,267</u>	<u>5,130,129</u>
1999-00	Primary	6,270,439	49,048,837	31,471,163	170,115,611	-
	Secondary	10,557,655	31,196,746	10,270,170	28,833,135	5,922,133
	Total	<u>16,828,094</u>	<u>80,245,583</u>	<u>41,741,333</u>	<u>198,948,746</u>	<u>5,922,133</u>
2000-01	Primary	6,956,983	45,938,017	35,072,934	187,642,684	-
	Secondary	10,812,099	30,369,063	11,339,936	31,377,241	6,155,098
	Total	<u>17,769,082</u>	<u>76,307,080</u>	<u>46,412,870</u>	<u>219,019,925</u>	<u>6,155,098</u>
2001-02	Primary	7,288,511	50,998,246	38,038,775	204,648,094	-
	Secondary	11,913,038	28,778,881	11,823,692	34,930,475	6,258,774
	Total	<u>19,201,549</u>	<u>79,777,127</u>	<u>49,862,467</u>	<u>239,578,569</u>	<u>6,258,774</u>

Source: Maricopa County Assessor's Office
Maricopa County Tax Levies & Rates Publication

- (A) For levies for Tempe property owners residing within Kyrene, Scottsdale or Mesa School Districts, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (S-15).
 (B) Districts which had their first secondary tax levies set in FY 87-88.
 (C) District which had it's first secondary tax levy set in FY 91-92.

City of Tempe, Arizona

**Property Tax Levies - All Direct and Overlapping Governments (Exhibit S-8)
Last Ten Fiscal Years**

Maricopa County	State of Arizona	Flood District	Central Arizona Project	Fire District Assistance (B)	County Free Library District (C)	Total
\$ 218,224,368	\$ 63,945,919	-	-	-	-	\$ 452,794,781
19,461,200	-	39,254,429	19,332,340	1,367,073	5,882,555	121,378,257
237,685,568	63,945,919	39,254,429	19,332,340	1,367,073	5,882,555	574,173,038
210,718,100	62,492,117	-	-	-	-	450,762,716
25,360,203	-	35,142,441	18,905,751	1,404,427	5,631,213	116,221,481
236,078,303	62,492,117	35,142,441	18,905,751	1,404,427	5,631,213	566,984,197
235,367,648	62,520,935	-	-	-	-	482,154,280
428,377	-	35,318,672	18,929,645	1,447,315	5,638,330	89,558,724
235,796,025	62,520,935	35,318,672	18,929,645	1,447,315	5,638,330	571,713,004
227,774,077	63,420,563	-	-	-	-	488,435,094
20,670,863	-	36,078,354	19,767,209	1,517,982	1,397,824	133,536,597
248,444,940	63,420,563	36,078,354	19,767,209	1,517,982	1,397,824	621,971,691
228,558,077	-	-	-	-	-	432,464,722
22,590,472	-	38,118,477	20,080,420	1,567,061	6,038,469	136,012,123
251,148,549	-	38,118,477	20,080,420	1,567,061	6,038,469	568,476,845
248,578,872	-	-	-	-	-	461,396,668
21,446,852	-	42,339,342	22,012,897	1,645,591	6,619,593	158,161,200
270,025,724	-	42,339,342	22,012,897	1,645,591	6,619,593	619,557,868
268,641,579	-	-	-	-	-	501,917,862
22,058,679	-	44,670,223	23,536,796	1,737,365	7,078,280	169,863,747
290,700,258	-	44,670,223	23,536,796	1,737,365	7,078,280	671,781,609
298,649,736	-	-	-	-	-	555,555,786
20,264,361	-	44,310,754	26,147,563	1,873,777	7,862,946	187,239,240
318,914,097	-	44,310,754	26,147,563	1,873,777	7,862,946	742,795,026
324,589,568	-	-	-	-	-	600,200,186
24,051,128	-	44,309,245	27,141,030	1,997,318	8,789,518	196,341,676
348,640,696	-	44,309,245	27,141,030	1,997,318	8,789,518	796,541,862
358,897,617	-	-	-	-	-	659,871,243
20,071,906	-	45,322,696	29,787,075	2,086,084	9,646,430	200,619,051
378,969,523	-	45,322,696	29,787,075	2,086,084	9,646,430	860,490,294

City of Tempe, Arizona

**Property Tax Rates - All Direct and Overlapping Governments (Exhibit S-9)
Last Ten Fiscal Years
(Continued)**

Tax Rates per \$100 of Assessed Valuation

		Schools				
<u>Fiscal Year</u>		<u>City of Tempe</u>	<u>Tempe Union</u>	<u>Tempe Elementary (A)</u>	<u>Community College</u>	<u>East Valley Institute of Technology</u>
1992-93	Primary	\$ 0.48	\$ 2.42	\$ 3.44	\$ 0.79	-
	Secondary	0.87	0.78	1.10	0.06	0.03
	Total	<u>1.35</u>	<u>3.20</u>	<u>4.54</u>	<u>0.85</u>	<u>0.03</u>
1993-94	Primary	0.51	2.48	3.49	0.85	-
	Secondary	0.89	0.75	1.07	-	0.07
	Total	<u>1.40</u>	<u>3.23</u>	<u>4.56</u>	<u>0.85</u>	<u>0.07</u>
1994-95	Primary	0.53	2.53	3.58	0.89	-
	Secondary	0.86	0.74	0.97	-	0.06
	Total	<u>1.39</u>	<u>3.27</u>	<u>4.55</u>	<u>0.89</u>	<u>0.06</u>
1995-96	Primary	0.56	2.54	4.01	0.95	-
	Secondary	0.84	0.86	1.13	0.17	0.03
	Total	<u>1.40</u>	<u>3.40</u>	<u>5.14</u>	<u>1.12</u>	<u>0.03</u>
1996-97	Primary	0.57	2.35	3.53	0.98	-
	Secondary	0.83	0.96	1.12	0.07	0.11
	Total	<u>1.40</u>	<u>3.31</u>	<u>4.65</u>	<u>1.05</u>	<u>0.11</u>
1997-98	Primary	0.56	2.23	3.00	0.98	-
	Secondary	0.84	1.00	1.10	0.16	0.07
	Total	<u>1.40</u>	<u>3.23</u>	<u>4.10</u>	<u>1.14</u>	<u>0.07</u>
1998-99	Primary	0.54	2.30	3.18	0.99	-
	Secondary	0.86	1.27	1.17	0.13	0.07
	Total	<u>1.40</u>	<u>3.57</u>	<u>4.35</u>	<u>1.12</u>	<u>0.07</u>
1999-00	Primary	0.55	2.45	3.37	0.97	-
	Secondary	0.85	1.45	1.00	0.15	0.07
	Total	<u>1.40</u>	<u>3.90</u>	<u>4.37</u>	<u>1.12</u>	<u>0.07</u>
2000-01	Primary	0.55	2.05	3.40	0.97	-
	Secondary	0.80	1.26	1.01	0.15	0.07
	Total	<u>1.35</u>	<u>3.31</u>	<u>4.41</u>	<u>1.12</u>	<u>0.07</u>
2001-02	Primary	0.53	2.08	3.41	0.96	-
	Secondary	0.82	1.11	1.00	0.15	0.06
	Total	<u>1.35</u>	<u>3.19</u>	<u>4.41</u>	<u>1.11</u>	<u>0.06</u>

Source: Maricopa County Assessor's Office
Maricopa County Tax Levies & Rates Publication

(A) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$5.52, \$5.80, and \$7.71, respectively. Also, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (S-15).

City of Tempe, Arizona

**Property Tax Rates - All Direct and Overlapping Governments (Exhibit S-9)
Last Ten Fiscal Years**

<u>Maricopa County</u>	<u>State of Arizona</u>	<u>Flood District</u>	<u>Central Arizona Project</u>	<u>Fire District Assistance</u>	<u>County Free Library District</u>	<u>Total</u>
\$ 1.60	\$ 0.47	-	-	-	-	\$ 9.20
0.14	-	0.39	0.14	0.01	0.04	3.56
<u>1.74</u>	<u>0.47</u>	<u>0.39</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.76</u>
1.58	0.47	-	-	-	-	9.38
0.19	-	0.36	0.14	0.01	0.04	3.52
<u>1.77</u>	<u>0.47</u>	<u>0.36</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.90</u>
1.77	0.47	-	-	-	-	9.77
0.01	-	0.36	0.14	0.01	0.04	3.19
<u>1.78</u>	<u>0.47</u>	<u>0.36</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.96</u>
1.69	0.47	-	-	-	-	10.22
0.15	-	0.33	0.14	0.01	0.01	3.67
<u>1.84</u>	<u>0.47</u>	<u>0.33</u>	<u>0.14</u>	<u>0.01</u>	<u>0.01</u>	<u>13.89</u>
1.64	-	-	-	-	-	9.07
0.16	-	0.34	0.14	0.01	0.04	3.78
<u>1.80</u>	<u>0.00</u>	<u>0.34</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.85</u>
1.66	-	-	-	-	-	8.43
0.14	-	0.34	0.14	0.01	0.04	3.84
<u>1.80</u>	<u>0.00</u>	<u>0.34</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.27</u>
1.68	-	-	-	-	-	8.69
0.13	-	0.33	0.14	0.01	0.04	4.15
<u>1.81</u>	<u>0.00</u>	<u>0.33</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>12.84</u>
1.71	-	-	-	-	-	9.05
0.11	-	0.29	0.14	0.01	0.04	4.11
<u>1.82</u>	<u>0.00</u>	<u>0.29</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>13.16</u>
1.68	-	-	-	-	-	8.65
0.12	-	0.25	0.13	0.01	0.04	3.84
<u>1.80</u>	<u>0.00</u>	<u>0.25</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>12.49</u>
1.68	-	-	-	-	-	8.66
0.09	-	0.23	0.13	0.01	0.04	3.64
<u>1.77</u>	<u>0.00</u>	<u>0.23</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>12.30</u>

City of Tempe, Arizona

**Secured Property Tax Levies and Collections (Exhibit S-10)
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Current Tax Collections		Delinquent Tax Collections	Total Tax Collections			Outstanding Delinquent Taxes	
		Amount	% of Levy		Amount	% of Levy		Amount	% of Levy
1992-93	\$10,127,300	\$ 9,650,443	95.3 %	\$ 356,861	\$ 10,007,304	98.8 %	\$	471,889	4.7 %
1993-94	10,210,274	9,862,842	96.6	255,276	10,118,118	99.1		267,655	2.6
1994-95	10,017,269	9,793,078	97.8	134,929	9,928,007	99.1		217,234	2.2
1995-96	11,005,571	10,660,436	96.9	168,873	10,829,309	98.4		331,786	3.0
1996-97	11,434,626	11,207,792	98.0	250,976	11,458,768	100.2		332,277	2.9
1997-98	12,406,900	12,116,241	97.7	187,710	12,303,951	99.2		265,567	2.1
1998-99	13,667,448	13,357,098	97.7	241,824	13,598,922	99.5		275,818	2.0
1999-00	15,393,449	14,946,148	97.1	211,624	15,157,772	98.5		358,878	2.3
2000-01	16,198,733	15,795,257	97.5	899,687	16,694,944	103.1		366,985	2.3
2001-02	19,127,781	18,543,839	96.9	291,651	18,835,490	98.5		556,360	2.9

Source: District #506, Maricopa County Finance Office
Secured Levy Report

City of Tempe, Arizona

**Net Assessed and Estimated Actual Value of Taxable Property (Exhibit S-11)
Last Ten Fiscal Years**

		Net Assessed Valuations (A)	Percent of Increase	Estimated Actual Cash Value (B)	Net Secondary / Primary Assessed Valuation as a percentage of the Estimated Actual Valuation
1992-93	Primary	\$ 859,729,934	(1.822) %	\$ 6,250,216,898	13.76 %
	Secondary	868,129,508	(2.740)	5,345,517,768	16.24
1993-94	Primary	850,646,171	(1.057)	6,205,846,749	13.71
	Secondary	863,130,790	(0.576)	5,328,172,482	16.20
1994-95	Primary	836,494,386	(1.664)	6,211,790,007	13.47
	Secondary	850,390,750	(1.476)	5,346,201,868	15.91
1995-96	Primary	837,449,511	0.114	6,241,416,783	13.42
	Secondary	887,858,508	4.406	5,791,836,968	15.33
1996-97	Primary	882,618,954	5.394	6,692,577,587	13.19
	Secondary	912,856,941	2.816	5,874,679,875	15.54
1997-98	Primary	954,640,295	8.160	7,176,757,224	13.30
	Secondary	993,270,348	8.809	6,480,327,901	15.33
1998-99	Primary	1,046,495,824	9.622	7,625,529,090	13.72
	Secondary	1,098,826,160	10.627	6,969,687,327	15.77
1999-00	Primary	1,142,364,500	9.161	8,194,877,901	13.94
	Secondary	1,240,471,800	12.891	7,767,094,564	15.97
2000-01	Primary	1,258,271,357	10.146	8,978,914,806	14.01
	Secondary	1,356,429,397	9.348	8,604,588,323	15.76
2001-02	Primary	1,370,020,840	8.881	9,756,507,857	14.04
	Secondary	1,456,361,617	7.367	9,197,839,943	15.83

(A) Property tax legislation approved by voters on June 3, 1980, created PRIMARY and SECONDARY valuation bases. The primary (limited) tax levy is for maintenance and operation of counties, cities, school districts and the State. The secondary (full cash) tax levy is for debt retirement, voter-approved budget overrides and maintenance and operation of special-service districts. Real estate and improvements are combined in the primary valuation.

(B) In 1968, a statewide re-appraisal program was completed in which a property's value was assessed by usage classification on varying percentages of actual cash value. These percentages have since been modified and are currently as follows:

Property Class	Current Ratio
1. Mining, Timber	25%
2. Utilities	25
3. Commercial-Industrial	25
4. Agricultural, Vacant Land	16
5. Residential	10
6. Lease-Rental	10
7. Railroads	21
8. Historic	5

Source: Maricopa County Assessor's Office
Cities & Towns Valuations, Abstract by Tax Authority & Legal Class Report

City of Tempe, Arizona

**Estimated Assessed Valuations of Major Taxpayers (Exhibit S-12)
June 30, 2002**

<u>Taxpayer</u>	<u>Estimated 2001/02 Net Secondary Assessed Value</u>	<u>Percent of City's Total Net Secondary Assessed Value</u>
Motorola, Incorporated	\$ 35,078,202	2.41 %
Qwest Communications Corp./U.S. West	29,805,596	2.05
Arizona Mills LLC	24,886,431	1.71
Arizona Public Service Company	18,638,492	1.28
Britcher Arizona	14,444,750	0.99
State Farm Mutual Auto Insurance	10,346,243	0.71
Safeway Stores	9,666,654	0.66
Microchip Technology	9,501,053	0.65
Allied Signal	8,641,079	0.59
Tempe Commerce Park	7,667,095	0.53
Phoenix Coca-Cola	6,739,201	0.46
Wells Fargo Bank	6,207,672	0.43
Micro-Rel Inc.	5,931,450	0.41
Trinet Essential Facilities XXVII, Inc.	5,156,892	0.35
Calwest Industrial Properties	5,142,995	0.35
Total	<u>\$ 197,853,805</u>	<u>13.59 %</u>

Source: Maricopa County Treasurer's Office

City of Tempe, Arizona

**Special Assessment Collections (Exhibit S-13)
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Current Assessments Due (A)</u>	<u>Current Assessments Collections</u>	<u>Percent of Collections to Amount Due (B)</u>	<u>Total Principal Outstanding</u>
1992-93	\$ 3,210,195	\$ 3,208,845	99.96 %	\$ 33,334,108
1993-94	2,719,911	2,715,475	99.84	32,147,126
1994-95	2,674,809	2,673,189	99.94	30,954,855
1995-96	2,528,052	2,527,526	99.98	29,803,828
1996-97	17,735,945	17,735,854	100.00	12,716,535
1997-98	1,950,731	1,950,578	99.99	20,146,746
1998-99	2,604,881	2,604,881	100.00	24,768,881
1999-00	2,604,043	2,604,043	100.00	17,257,468
2000-01	2,899,583	2,899,583	100.00	15,750,000
2001-02	2,849,998	2,849,998	100.00	20,250,000

(A) Current assessments due includes principal, interest and prior year delinquencies but does not include advertising or title search fees.

(B) Under Arizona law, public auctions are held the first quarter of each year, at which time disposition of then delinquent assessments are made. By bid, special lien rights to properties against which assessments are due but unpaid are offered in return for payment of all outstanding amounts plus penalties. In the event there are no interested bidders, the delinquency must be satisfied from budgetary funds of the sponsoring governmental unit. Thus, in the first quarter of each year, all outstanding delinquent assessments, except those delayed by bankruptcy proceedings, are collected. The percent of collected assessments to amounts due is less than 100% only when June 1st interest installments are uncollected or bankruptcy cases remain open at June 30th.

City of Tempe, Arizona

**Percent of Net Direct Debt to Assessed Valuation and
Net Direct Debt per Capita (Exhibit S-14)
Last Ten Fiscal Years**

Fiscal Year	General Obligation Debt	Less: Debt Service Reserves	Net Direct Debt	Assessed Valuation (A)	Percent of Net Direct Debt To Assessed Valuation	Population (B)	Net Direct Debt Per Capita
1992-93	\$ 69,004,710	\$11,115,326	\$57,889,384	\$ 868,129,508	6.7 %	147,030	\$ 393.72
1993-94	70,202,470 (C)	13,067,969	57,134,501	863,130,790	6.6	148,470	384.82
1994-95	61,737,864 (C)	11,657,373	50,080,491	850,390,750	5.9	153,821	325.58
1995-96	67,164,944 (C)	9,597,875	57,567,069	887,858,508	6.5	154,770	371.95
1996-97	64,946,129 (C)	6,845,960	58,100,169	912,856,941	6.4	155,725	373.09
1997-98	58,247,603 (C)	7,620,884	50,626,719	993,270,348	5.1	156,686	323.11
1998-99	70,535,000	8,019,429	62,515,571	1,098,826,160	5.7	157,653	396.54
1999-00	66,405,000	7,302,028	59,102,972	1,240,471,800	4.8	158,625	372.60
2000-01	72,105,000	9,135,690	62,969,310	1,356,429,397	4.6	160,388	392.61
2001-02	75,535,000	12,123,427	63,411,573	1,456,361,617	4.4	159,425	397.75

(A) Assessed valuation from Maricopa County Assessor's Office

(B) Population estimates from City of Tempe Planning Division

(C) Includes accreted interest and premium on Capital Appreciation Bonds.

City of Tempe, Arizona

**Net Direct and Overlapping
General Obligation Bonded Debt (Exhibit S-15)
June 30, 2002**

Jurisdiction	2001-02 Secondary Assessed Valuation	Net Bonded Debt	Portion Applicable To City of Tempe		2001-02 Combined Tax Rate Per \$100 Assessed
			Percent	Amount	
Net Direct					
City of Tempe - General (net)	\$ 1,456,361,617	\$ 63,411,573 (A)	100.00 %	\$ 63,411,573	1.35
Overlapping					
State of Arizona	None	None	N/A	None	N/A
Maricopa County	22,913,134,480	58,205,000	6.36	3,699,517	2.18
Maricopa County Community College	22,913,134,480	305,750,000	6.36	19,433,507	1.11
Tempe Union High School District No. 213	2,583,880,322	217,225,000	55.07	119,621,809	3.19
Tempe Elementary School District No. 3	1,187,761,186	73,885,000	82.53	60,977,291	4.40
Kyrene Elementary School District No. 28	1,396,119,136	66,835,000	33.50	22,394,957	4.36
Scottsdale Unified School District No. 48	2,979,814,139	298,925,000	0.35	1,049,960	5.43
Mesa Unified School District No. 4	2,253,511,186	261,405,000	0.89	2,332,917	7.54
Total overlapping debt		1,282,230,000		229,509,958	
Total net direct and overlapping debt		\$ 1,345,641,573		\$ 292,921,531 (B)	

(A) Total outstanding general obligation less debt service fund reserve.

(B) Excludes the outstanding principal amount of Maricopa County Hospital District No.1 general obligation bonds, as this obligation has historically and is presently being paid from revenues generated from the operations of the District.

Source: All information except City of Tempe provided by Dain Rauscher.

City of Tempe, Arizona

Computation of Legal Debt Margin (Exhibit S-16)
June 30, 2002

Assessed Valuation		<u>\$1,456,361,617</u>
(A) Debt limit - 20% of assessed valuation		\$ 291,272,323
Amount of debt applicable to debt limit:		
General obligation debt outstanding (see Note 9)		
Governmental general obligation debt outstanding	\$ 80,415,000	
Enterprise general obligation debt outstanding	<u>85,125,000</u>	
Total general obligation debt outstanding		\$ 165,540,000
Less:		
6% General obligation bonds	<u>52,315,000</u>	
Total amount of debt applicable to 20% limit		<u>113,225,000</u>
Legal debt margin - 20% bonds		<u>178,047,323</u>
(B) Debt limit - 6% of assessed valuation		87,381,697
Amount of debt applicable to debt limit:		
General obligation debt outstanding (see Note 9)		
Governmental general obligation debt outstanding	80,415,000	
Enterprise general obligation debt outstanding	<u>85,125,000</u>	
Total general obligation debt outstanding		165,540,000
Less:		
20% General obligation bonds	<u>113,225,000</u>	
Total amount of debt applicable to 6% limit		<u>52,315,000</u>
Legal debt margin - 6% bonds		<u>35,066,697</u>
Total debt margin available		<u>\$ 213,114,020</u>

(A) Under Arizona law, cities can issue general obligation bonds for purposes of water, wastewater and artificial light, and open space preserves, parks, playgrounds and recreational facilities up to an amount not exceeding 20% of assessed valuation.

(B) Under Arizona law, cities can issue general obligation bonds for all purposes other than those listed in Note (A) above up to an amount not exceeding 6% of assessed valuation.

City of Tempe, Arizona

**Remaining General Obligation Bond
Authorizations (Exhibit S-17)
June 30, 2002**

<u>1990 Program</u>	<u>Authorization</u>	<u>Prior Issues</u>	<u>Current Year Issue</u>	<u>Remaining Authorization</u>
Water / Wastewater	\$ 30,000,000	\$ 30,000,000	-	-
Storm Drains	4,500,000	3,090,000	695,000	715,000
Streets / Transportation	20,000,000	20,000,000	-	-
Police Protection	6,000,000	6,000,000	-	-
Fire Protection	4,000,000	4,000,000	-	-
Library / Museum	1,000,000	1,000,000	-	-
Park Improvements	9,000,000	9,000,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	74,500,000	73,090,000	695,000	715,000
	<hr/>	<hr/>	<hr/>	<hr/>
<u>1997 Program</u>				
Water / Wastewater	51,000,000	36,770,000	14,230,000	-
Streets / Transportation	18,000,000	7,525,000	3,815,000	6,660,000
Police Protection	3,000,000	2,535,000	460,000	5,000
Fire Protection	8,000,000	4,410,000	1,625,000	1,965,000
Park Improvements	10,000,000	6,205,000	1,750,000	2,045,000
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	90,000,000	57,445,000	21,880,000	10,675,000
	<hr/>	<hr/>	<hr/>	<hr/>
<u>2002 Program</u>				
Water / Wastewater	77,000,000	-	-	77,000,000
Streets / Transportation	31,500,000	-	-	31,500,000
Police Protection	31,500,000	-	-	31,500,000
Fire Protection	6,000,000	-	-	6,000,000
Park Improvements	12,000,000	-	-	12,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	158,000,000	-	-	158,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 322,500,000	\$ 130,535,000	\$ 22,575,000	\$ 169,390,000
	<hr/>	<hr/>	<hr/>	<hr/>

City of Tempe, Arizona

Excise Tax Collections (Exhibit S-18)
FY 1997-98 to FY 2001-02

	1997-98	1998-99	1999-00	2000-01	2001-02
Privilege and Use Tax (A)	\$ 56,822,673	\$ 57,366,200	\$ 59,967,673	\$ 66,121,741	\$ 59,299,059
State Shared Sales Tax	11,466,965	12,292,002	13,511,356	13,951,532	12,148,438
State Shared Income Tax	13,158,548	15,361,479	17,045,903	17,890,338	16,544,791
Franchise Tax	1,371,466	1,224,033	1,284,518	1,781,068	1,810,590
Permits and Fees	4,360,719	3,315,362	3,534,325	3,750,761	3,081,194
Fines and Forfeitures	3,782,103	4,439,503	4,778,418	4,566,819	4,601,758
Total	\$ 90,962,474	\$ 93,998,579	\$ 100,122,193	\$ 108,062,259	\$ 97,485,830

(A) Amounts exclude the 0.5% Excise Tax approved by voters on September 10, 1996 as a dedicated "transit tax", and the 0.1% Performing Arts Center Tax approved by voters in September 2000.

Source: City of Tempe Comprehensive Annual Financial Report, Fiscal Years 1996-97 through 2001-02 and City of Tempe "Revenue and Expenditure by Account by Fund" report.

City of Tempe, Arizona

**Pledged Revenue, Projected Debt Service and
Estimated Coverage (Exhibit S-19)**

<u>Fiscal Year</u>	<u>2002 Pledged Excise Tax Revenues (A)</u>	<u>Total Outstanding Parity Obligations Debt Service Requirements (B)</u>	<u>Estimated Coverage (C)</u>
2001-02	\$ 97,485,830	\$ 7,505,627	12.99
2002-03		4,631,415	21.05
2003-04		4,672,941	20.86
2004-05		4,707,070	20.71
2005-06		4,638,623	
2006-07		4,662,025	
2007-08		4,447,485	
2008-09		4,473,270	
2009-10		3,836,070	
2010-11		3,753,730	
2011-12		3,765,280	
2012-13		3,775,780	
2013-14		3,679,845	
2014-15		3,687,850	
2015-16		3,684,090	
2016-17		3,679,250	
2017-18		3,671,969	
2018-19		3,658,000	
2019-20		3,637,344	
2020-21		3,005,000	
2021-22		2,975,000	
2022-23		2,940,000	
2023-24		-	

(A) Excise Tax Revenues received by the City in Fiscal Year 2001-02.

(B) Includes the annual debt service requirements of the City of Tempe Municipal Property Corporation's Series 1992 Bonds, currently outstanding in the principal amount of \$630,000; the City of Tempe, Arizona, Variable Rate Demand Excise Tax Revenue Obligations, Series 1998, currently outstanding in the principal amount of \$40,500,000; the City's Refunding Certificates of Participation, Series 10, currently outstanding in the principal amount of \$3,810,000, and the City of Tempe, Arizona Excise Tax Revenue Obligation, Series 2000A, currently outstanding in the principal amount of \$6,880,000. Interest on the Series 1998 Obligations (except for FY 2001-02 which reflects actual interest) is assumed to be the interest rates after conversion to fixed rates to maturity of such Obligations, which on average are assumed to be 5%.

(C) The Estimated Coverage figures shown reflect the ratio of actual fiscal year 2001-02 Excise Tax Revenues to Total Debt Service Requirements for the City's revenue bonds.

City of Tempe, Arizona

**Percent of Annual Debt Service Expenditures
to Total General Expenditures (Exhibit S-20)
(General, Special Revenue and Debt Service Funds)
Last Ten Fiscal Years**

Fiscal Year	Debt Service Expenditures		Total Debt Service Expenditures	Total General Expenditures (A)	Percent
	Principal	Interest and Fiscal Fees			
1992-93	\$ 8,982,169	\$ 7,954,732	\$ 16,936,901	\$ 88,395,031	19.2 %
1993-94	9,575,560	7,029,074	16,604,634	96,954,328	17.1
1994-95	10,921,177	7,006,155	17,927,332	100,915,439	17.8
1995-96	15,800,737	6,949,342	22,750,079	116,048,365	19.6
1996-97	31,497,222	6,396,550	37,893,772	143,994,004	26.3
1997-98	8,205,923	6,871,930	15,077,853	121,021,369	12.5
1998-99	16,534,670	7,490,564	24,025,234	143,600,548	16.7
1999-00	15,390,436	7,542,653	22,933,089	159,240,054	14.4
2000-01	14,869,347	7,568,469	22,437,816	178,213,014	12.6
2001-02	10,884,500	6,460,321	17,344,821	177,904,663	9.7

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds

(A) Amount excludes capital outlay expenditures.

City of Tempe, Arizona
Principal Employers (Exhibit S-21)
June 30, 2002

<u>Company</u>	<u>Type of Business</u>	<u>Estimated Employees</u>
Arizona State University	State University	12,569
Wells Fargo Loan Services Division	Bank	4,168
Salt River Project	Utility	3,331
Honeywell Div	Aerospace Manufacturing	3,000
Motorola Computer Group	Electronics Manufacturing	2,604
Wells Fargo Banking Services Division	Bank	2,433
Chase Manhattan Corporation	Bank	2,377
Kyrene School District	Education	2,205
Motorola SPS Division	Electronics Manufacturing	2,175
Bank One Telephone Banking Division	Bank	2,000
City of Tempe	Government	1,712
Phillips 66 Company	Bank	1,500
Insight	Computer Direct Sales	1,400
Medtronics	Electronics Manufacturing	1,184
State Farm Insurance	Insurance	1,057
Facs Group	Department Store Financial Services	1,040
America West Airlines	Airline	985
Direct Alliance Corporation	Business Processing Outsourcing	826
United Parcel Service	Freight	800
Varian Associates	Electronic Manufacturing	800

Source: City of Tempe, Economic Development, Major 100 Employers List

City of Tempe, Arizona

Demographic Statistics (Exhibit S-22) Last Ten Fiscal Years

Fiscal Year	Population (A)	Median Household Income (B)	Median Adult Age (B)	Percent College Educated (B)	Elementary District Enrollment (C)	High School District Enrollment (C)	Arizona State University Enrollment (D)	Average Annual Employment (E)	Percent Unemployed (E)
1992-93	147,030	\$ 33,200	35.8	71.0 %	12,812	8,603	41,250	82,570	5.5 %
1993-94	148,470	N/A	N/A	N/A	13,250	8,942	39,082	84,862	4.3
1994-95	153,821	N/A	N/A	N/A	13,244	9,467	39,499	91,622	4.0
1995-96	154,770	N/A	N/A	N/A	13,449	10,167	39,519	100,058	2.9
1996-97	155,725	N/A	N/A	N/A	13,297	10,920	42,463	102,566	3.1
1997-98	156,686	N/A	N/A	N/A	12,888	11,787	41,006	111,620	2.5
1998-99	157,653	N/A	N/A	N/A	12,888	12,301	48,922	112,253	2.3
1999-00	158,625	N/A	N/A	N/A	12,719	12,605	50,365	118,284	2.4
2000-01	160,388	N/A	N/A	N/A	12,710	13,300	44,126	116,423	2.3
2001-02	159,425	N/A	N/A	N/A	13,476	12,580	47,359	119,149	3.3

Source: (A) City of Tempe, Planning Division Estimate
 (B) Arizona Republic & Gazette Market Study
 (C) Tempe School District
 (D) ASU, Office of Institutional Analysis
 (E) Dain Rauscher

N/A Information not available

Maricopa County

**Average Annual
Non-Agricultural Wage and Salary Employment
(Exhibit S-23)**

Industry	1996	1997	1998	1999	2000	2001
Manufacturing	149,400	155,700	165,500	161,800	162,200	155,900
Mining and Quarrying	800	1,100	1,200	1,100	1,200	1,000
Construction	86,400	94,200	97,800	112,300	117,900	119,700
Transportation, Communication & Public Utilities	61,300	68,300	73,500	78,600	83,300	86,000
Wholesale & Retail Trade	316,300	336,200	347,700	357,000	366,400	373,900
Finance, Insurance & Real Estate	89,100	101,700	114,400	118,000	119,800	125,600
Services & Miscellaneous	377,200	421,900	450,800	486,200	512,000	507,900
Government	154,600	165,600	168,000	172,100	181,900	187,000

Source: Dain Rauscher

City of Tempe, Arizona

**Total Taxable Sales and Net Taxable Retail Sales
Last Ten Fiscal Years
(Exhibit S-24)**

<u>Fiscal Year</u>	<u>Total Taxable Sales</u>	<u>Net Taxable Retail Sales</u>	<u>% of Net Taxable Retail Sales to Total Taxable Sales</u>
1991-92	\$ 2,388,447,673	\$ 1,127,015,770	47.19 %
1992-93	2,607,507,237	1,251,232,640	47.99
1993-94	3,042,884,441	1,499,728,081	49.29
1994-95	3,783,186,421	1,864,627,865	49.29
1995-96	4,014,724,109	2,222,203,718	55.35
1996-97	4,158,465,174	2,301,925,879	55.36
1997-98	4,780,741,615	2,518,818,941	52.69
1998-99	5,035,009,069	2,633,934,014	52.31
1999-00	5,269,802,104	2,737,598,174	51.95
2000-01	5,571,574,000	2,880,678,000	51.70
2001-02	5,155,026,742	2,686,206,120	52.11

Source: City of Tempe - Tax & License Division

Note: The City of Tempe tax rate is 1.8% for all taxable products and/or services.

City of Tempe, Arizona
New Construction Activity (Exhibit S-25)
Last Ten Years

Calendar Year	Number of Housing Starts	Value of Building Permits Issued			
		Residential	Commercial & Industrial	Other	Total
1992	196	\$ 28,235,000	\$ 69,187,000	\$ 23,649,000	\$ 121,071,000
1993	298	43,649,000	50,772,000	8,528,000	102,949,000
1994	1,632	124,247,000	154,333,000	42,005,000	320,585,000
1995	1,161	63,922,000	118,609,000	73,335,000	255,866,000
1996	1,361	49,798,000	275,023,000	36,528,000	361,349,000
1997	1,694	47,319,000	328,367,000	53,768,000	429,454,000
1998	394	55,679,000	270,115,000	40,096,000	365,890,000
1999	711	60,413,000	183,558,000	30,945,000	274,916,000
2000	48	16,348,000	202,057,000	91,426,000	309,831,000
2001	291	10,822,000	139,288,000	36,913,000	187,023,000

Source: Dain Rauscher

City of Tempe, Arizona

Maricopa County Bank Deposits (Exhibit S-26)
Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>Amount</u>
1992-93	\$ 19,358,015 (A)
1993-94	19,485,966 (A)
1994-95	20,017,167 (A)
1995-96	21,171,950 (A)
1996-97	17,806,183 (A)
1997-98	20,568,058 (B)
1998-99	24,529,547 (C)
1999-00	26,490,225 (D)
2000-01	28,379,815 (D)
2001-02	29,293,209 (D)

- (A) Amount represents Maricopa County Bank Deposits as of December 31 of the respective fiscal year.
(B) Amount represents Maricopa County Bank Deposits as of 06/30/98.
(C) Amount represents Maricopa County Bank Deposits as of 03/31/99.
(D) Amount represents Maricopa County Bank Deposits as of June 30 of the respective fiscal year.

Source: Arizona Bankers Association

City of Tempe, Arizona

Schedule of Insurance (Exhibit S-27)

<u>Carrier and Policy Data</u>		<u>Annual Renewal Date</u>	<u>Coverage Limits</u>	<u>Annual Premium</u>
Primary Public Liability & Automobile				
A. Primary	Self-insured	N/A	\$1,000,000	None
B. Excess	Royal Indemnity Company	7/1/01	25,000,000	\$ 192,750
	#RHJ090287		X/S 1,000,000	
	Gulf Insurance Company	7/1/01	25,000,000	84,750
	#GA2855709		X/S 25,000,000	
			X/S 1,000,000	
Property				
A. Primary	Self-insured	N/A	100,000	None
B. Excess	St. Paul Guardian Insurance Co.	7/1/01	215,560,635	177,254
	#CF08900120			
C. Cardinal's Training Facility	St. Paul Guardian Insurance Co.	7/1/01	13,100,000	7,937
	#CF08900121			
D. Inland Marine Town Lake Dams	Fireman's Fund Insurance Co.	7/1/01	5,000,000	28,386
	#MXI98379020			
Workers' Compensation and Employer's Liability				
A. Primary	Self-insured	N/A	250,000	None
B. Excess	Employers Reinsurance	7/1/01	1,000,000	78,826
Bonds				
A. Position	Hartford Fire Insurance Company	7/28/01	1,000,000	2,940
	# SUN405246			
B. Public Employee Blanket	Hartford Fire Insurance Company	7/1/01	1,000,000	14,001
	#59BPEAD6547			

N/A - Not applicable

Source: City of Tempe, Risk Management Division

City of Tempe, Arizona

Miscellaneous Statistical Data (Exhibit S-28)

Date of Incorporation - November 26, 1894
 Date Charter Adopted - October 19, 1964
 Form of Government - Council/Manager

Area - Square Miles:

2001	40.0
2000	40.0
1999	39.8
1998	39.8
1997	39.8
1996	39.8
1990	39.3
1980	38.1
1970	25.3
1960	17.5
1950	2.7

Population:

2001-02	159,425
2000-01 Official U.S. Census	160,388
1999-00	158,625
1998-99	157,653
1997-98	156,686
1995-96 Interim Census	154,770
1990-91 Official U.S. Census	141,993
1980-81 Official U.S. Census	106,920
1970-71	63,550
1960-61	24,897

Elections:

Registered voters	75,724
No. of ballots cast last City general election	20,056
Percentage voting last City election	26.5

School Registration:

Tempe Elementary District	13,476
Tempe High School District	12,580
Arizona State University	47,359

Municipal Parks:

No. of parks	48
Developed acres	1,546
City playgrounds	42
Swimming pools	4
Golf courses	2
Lighted ballfields	25
Lighted multipurpose fields	41

Libraries:

No. of items in collection	491,394
Annual circulation	1,265,451
Registered borrowers	151,711

Total Construction Activity:

<u>F/Y</u>	<u>No. of Permits</u>	<u>Value</u>
2001-02	1,261	\$ 121,230,900
2000-01	1,417	262,266,000
1999-00	1,717	317,142,700
1998-99	1,905	304,600,000
1997-98	2,533	492,419,400
1996-97	1,984	406,820,800
1995-96	2,038	248,475,500
1994-95	2,291	275,408,500
1993-94	2,298	265,148,300
1992-93	1,307	87,840,900

Fire Protection:

No. of Stations	6
No. of employees (FT)	160
No. of fire calls	2,430
No. of medical calls	12,296
No. of other assistance calls	2,077
Emergency service average response time (minimum)	4:21

Police Protection:

No. of employees	518
Crime index (CY)	17,586
Crime rate (per 100,000 pop.)	10,800
Traffic accidents	6,968
Emergency service average response time (minimum)	5:25

Refuse Collection (residential):

Refuse accounts served	34,660
Refuse collected (tons)	39,988

Water:

Connections	41,375
Production (billions of gallons)	18.0
Miles of lines	835

Sanitary Sewers:

Connections	35,434
Miles of lines	501

Miles of Storm Sewers

170

Miles of:

Streets - maintained	1,241
Paved alleys - maintained	15
Unpaved alleys - maintained	165

City employees (FTEs):

Governmental	1,575
Utility	137
Total	<u>1,712</u>